

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

UNITES STATES OF AMERICA,

Plaintiff,

-against-

SAMUEL ISRAEL, III,

Defendant.

ROBERT B. NICHOLS and ELLEN
M. NICHOLS,

Petitioners.

BAYOU MANAGEMENT LLC,

Plaintiff,

-against-

ROBERT B. NICHOLS, ELLEN M. NICHOLS,
SAMUEL ISRAEL, III, and JOHN
DOES 1-5,

Defendants.

Case No.
05 Cr.1039 (CM)

Case No.
08 Civ.6036(CM)

VIDEOTAPE DEPOSITION of ROBERT B. NICHOLS,
taken by Plaintiff at the United States Attorney's
Office, 1 St. Andrew's Plaza, New York, New York
10007, on Tuesday, December 16, 2008 commencing at
9:50 o'clock a.m., before Janine Figliozi, a
Shorthand (Stenotype) Reporter and Notary Public
within and for the State of New York.

A P P E A R A N C E S:

UNITED STATES DEPARTMENT OF JUSTICE
United States Attorney's Office
Attorneys for Plaintiff
1 St. Andrew's Plaza
New York, New York 10007

BY: JEFF ALBERTS, Esq., of Counsel

SMITH, GAMBRELL & RUSSELL, LLP
Attorneys for Witness
26 Broadway
New York, New York 10004

BY: J. JOSEPH BAINTON, Esq., of Counsel

SIMONE & ROOS
Attorneys for Witness
3530 Wilshire Boulevard
Los Angeles, California 90010

BY: MARTIN SIMONE, Esq., of Counsel

DECHERT, LLP
Attorneys for Bayou Management
1095 Avenue of the Americas
New York, New York 10036

BY: GARY J. MENNITT, Esq., of Counsel
JONATHAN D. PERRY, Esq., of Counsel

ALSO PRESENT:

Jay F. Kramer, Esq., Federal Bureau of Investigation
Christopher Kim, Esq., Federal Bureau of Investigation
S.A. Carl A. Catauro, Federal Bureau of Investigation

1
2 THE VIDEOGRAPHER: We're going
3 on the record. The time is 9:47 on
4 December 16, 2008. This is the
5 videotaped deposition of Robert
6 Nichols in the matter of the United
7 States of America versus Samuel
8 Israel, III, Defendant, Robert B.
9 Nichols and Ellen M. Nichols,
10 Petitioners, also the civil case of
11 Bayou Management, LLC against Robert
12 Nichols, Ellen Nichols, Samuel Israel,
13 III and John Does 1-5, under the
14 jurisdiction of the United States
15 District Court, Southern District of
16 New York.

17 This deposition is being held
18 at 1 Saint Andrew's Plaza, New York,
19 New York. My name is Kevin Brooks,
20 and I am the video specialist. The
21 court reporter is Janine Figliozi and
22 we represent Fink & Carney Reporting
23 with offices located at 39 West 37th
24 Street, New York, New York.

25 May I have an introduction

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from counsel present, please?

MR. ANBINDER: Assistant U.S.
Attorney Jeff Alberts representing the
United States.

MR. BAINTON: J. Joseph
Bainton and Martin Simone representing
Mr. Nichols.

MR. MENNITT: Gary Mennitt and
John Perry representing Bayou
Management, LLC.

THE TRIAL OFFICER: Thank you.
Will the court reporter please
swear in the witness?

R O B E R T B . N I C H O L S, called as a
witness, having been first duly sworn by
Janine Figliozzi a Notary Public within and
for the State of New York, was examined and
testified as follows:

DIRECT EXAMINATION BY MR. ALBERTS:

Q Could you please state your full
name and home address for the record?

A Robert Booth Nichols.

Q My name is Jeff Alberts. I am an
assistant United States Attorney here in the

Nichols

Southern District of New York. I represent the United States of America in this action.

Before I start asking you questions, there is a couple of stipulations that I just want to mention for the record.

MR. ALBERTS: The government would propose the parties enter into stipulations to waive filing and sealing of the deposition, that objections except as to form be reserved for trial, that the deposition may be sworn to before any notary public with the same force and effect as if sworn before a judge, that we waive signing of a transcript by a court reporter and stipulate the transcript to be certified by the court reporter, that copies of documents be substituted for originals, that that would be acceptable to both parties. Finally, that the entire transcript and the documents that are used as exhibits initially be sealed.

1 Nichols

2 MR. BAINTON: That's certainly
3 acceptable to us, but may I inquire if
4 the court reporter has noted the
5 appearance of the three gentlemen
6 seated behind me? You have? Great.
7 Thank you.

8 MR. MENNITT: Bayou
9 Management, LLC. also so stipulates.

10 BY MR. ALBERTS:

11 Q Have you ever testified at a
12 deposition before?

13 A Yes.

14 Q When have you testified at a
15 deposition?

16 A I don't understand the question.
17 When? Location?

18 Q When, time?

19 A It would have to be approximate.

20 Q That's fine. What is the
21 approximate time at which you were last deposed?

22 A 1997.

23 Q Prior to that were you ever deposed?

24 A No.

25 Q Here's how the deposition works. I

Nichols

am going to ask you questions and you are going to answer them. My questions will be noted by the court reporter and your responses to be written down by the court reporter. Because of that, it's important that you respond orally to my questions, so merely nodding isn't sufficient. She needs to be able to write down what you are saying.

In addition, as you have observed, there is going to be a videotape of this recording, so the statements you make will also be recorded by a videographer.

If at any point you don't hear my questions or you don't understand my questions, just let me know and I will do my best to help explain the question to you. If you need me to rephrase it, I can rephrase it.

I see that your attorney Mr. Bainton is here. There may be times when I ask you questions and he makes an objection. Now, after he makes an objection, you still need to answer the question that I asked you, unless your counsel specifically directs you not to answer the question. Do you understand that?

A Yes.

Nichols

Q I also ask that if a question is pending, you answer my question rather than consult with your counsel while that question is pending. However, if at any point you become tired or need to take a break, we can do that. Do you understand that?

A Yes.

Q Are you comfortable today? Are you comfortable here today? Are you all right answering --

A That is a question that's relative. I'd rather be somewhere else, but I'm not in pain, if that's what the question is.

Q Have you had any alcoholic beverages recently?

A No.

Q Any illegal narcotics within the last week?

A No.

Q Is there any reason that you can't answer truthfully the questions that I ask you here today?

A Not to my knowledge.

Q Are you currently taking any

Nichols

medications at all?

A I take a blood pressure pill and,
when required, a tranquilizer pill.

Q Have you taken a tranquilizer pill
recently?

A Not today.

Q I'm sorry. Could you repeat that
response?

A Not today.

Q What did you do to prepare for
today's deposition?

A I didn't do anything.

Q Did you speak with anyone in
preparation for the deposition?

A Just my attorneys.

Q Anyone other than your attorneys?

A Not concerning the deposition.

Q Did you review any documents in
preparation for this deposition?

A I did not.

Q Did you bring any documents here
today?

A No, I did not.

Q Have you discussed this litigation

Nichols

with anyone else?

A Yes, I have.

Q With whom?

A You mean besides the attorneys?

Q Yes.

A With my wife. I would have to think about that to respond to it properly.

Q What's your wife's name?

A Ellen.

Q What is her full name?

A Ellen Marie Nichols.

Q When did you marry her?

A May 22, 1974.

Q Other than your wife have you discussed this litigation with anyone else?

A I have discussed it with others, but I would have to think about who. I cannot just answer you a straight direct list of people.

Q Can you think of anyone else right now?

A When you say discussed, commented on? I don't understand the question exactly. You mean commented?

Q Discussed in any way, commented on,

Nichols

asked questions about, any type of discussion that concerned or mentioned this litigation.

A I mentioned to my wife's mother and father. I have mentioned to Martin's wife. I have -- I am trying to think who I discussed or mentioned it to. I have said to several people I am being sued, but I can't recall precisely whom at the moment. I know I have mentioned it to people, but I can't recall at this moment the names of the people I have mentioned it to.

Q Are you currently employed?

A I am not employed currently.

Q When were you last employed?

A To Sam Israel was my last employment.

Q Who was your employer?

A Sam Israel.

Q When were you last employed by Sam Israel?

A I met Sam Israel in April of 2004 and he retained me for -- to accomplish an objective of his about two months later, three months later, possibly in July, I believe.

Q We'll get back to that. Quickly, I

Nichols

just want to know have you ever been involved in any lawsuits prior to the lawsuits for which you are being deposed here today?

A Is the question have I been sued before?

Q Have you ever been a party to a lawsuit? In other words, have you ever sued someone, been sued, intervened, in any way been a party to a lawsuit?

A Yes.

Q When was that?

A In approximately 1987, I would say, I sued the Los Angeles Police Department to -- and you want me to name both -- there were two cases.

Q Sure. What was the other case?

A And the other case was I sued an FBI agent -- an FBI agent and his partner, I guess. I don't know, an FBI agent.

Q When was that?

A Approximately 1988, I believe.

Q And for what did you sue the Los Angeles Police Department?

A For holding me -- I mean, I don't know how to describe it. I'd have to -- this I

Nichols

1
2 have a problem with. I mean, I don't know
3 specifically the legal terminology concerning the
4 litigation, so I can only describe the
5 circumstances, but I cannot describe precisely
6 what the lawsuit would have stated at the time.

7 Q What is your general understanding
8 of the lawsuit?

9 A That they detained me illegally or
10 extra-legally, I will say, for no reason and then
11 stated that I was not under arrest, that it was
12 just a normal -- a normal procedure on their part.

13 Q What was the outcome of that
14 litigation?

15 A I did not win the case.

16 Q Do you recall if the Court dismissed
17 the case?

18 A If it -- I don't understand the
19 question. If the Court dismissed it -- I mean,
20 the case terminated, so I assume it was dismissed.

21 Q Do you know if this was in federal
22 court?

23 A No, it was in city court.

24 Q Did you testify at all in connection
25 with that litigation?

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A Yes, I did.

Q Where did you testify?

A In Glendale, California and in
Burbank, California.

Q Was this at a trial or was it at a
deposition?

A At a trial.

Q Now, the other suit that you
mentioned where you sued an FBI agent --

A Yes?

Q -- what were the general
circumstances behind that litigation?

A He had -- made statements that I was
a member of the Gambia or some -- I think Gambia
crime family.

Q What was the outcome of the
litigation?

A It went to the Ninth Circuit -- they
said you could not sue an FBI agent -- this is my
understanding. Then it went to the Ninth Circuit
and they said you could sue the agent. And then
it came back to it and they said you couldn't sue,
the judge and then it went back and said you could
sue it. I mean, this is when I would have to

Nichols

ask -- may I ask?

Q You can go ahead and answer the question -- your recollection --

A I mean, that's all I understand about the whole case. I was never in court or in trial or it didn't go anywhere where I ever sat down or was deposed or anything like that.

Q So you never recovered any money in connection with the lawsuit; is that correct?

A I didn't ask for any money.

Q Did you obtain a final judgment or ruling from the Court in connection with that lawsuit?

A I do not know.

Q Did you graduate from high school?

A Yes, I did.

Q What high school did you graduate from?

A Hollywood Professional School.

Q Did you go to college?

A Approximately a year, year and a half.

Q What college did you go to?

A Glendale -- Glendale College, junior

Nichols

college, Glendale Junior College.

Q When was this that you attended
Glendale Junior College?

A When I was approximately 18, 19.

Q Did you obtain any type of degree?

A No.

Q Why did you leave Glendale Junior
College?

A I was bored.

Q Did you hold a job while you were at
Glendale Junior College?

A Yes, I did.

Q What job was that?

A I worked for a company called
General Controls and --

Q What did you do?

A I tested circuitry on various
devices that they were doing. They were into
electronics.

Q For how long did you work at General
Controls?

A I can't be sure.

Q Was it more than ten years?

A No.

Nichols

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Q What did you do after -- withdrawn.
Were you ever employed after working
at General Controls?

A Yes.

Q What was your next employment after
working at General Controls?

A I worked at an air conditioning
company.

Q How long did you work there?

A I can't be sure, but I would say
approximately two years, year and a half, two
years.

Q Where were you employed after that?

A I worked construction.

Q Did you have a specific employer?
Was this freelance work?

A I had a specific employer. I don't
recall the name of the employer.

Q How long did you work construction?

A Probably six months. That's not
certain. That's just my recollection.

Q What was your next employment after
that?

A I worked in a security alarm

Nichols

company.

Q For how long?

A I would -- approximately a year or two, something like that.

Q What did you do at the company?

A I was in sales. I had an installation with regard to security and electronic devices.

Q What was your next employment after that?

A I worked for parties that claimed to be with or stated they were with U.S. intelligence.

Q When did you first start working for these parties?

A I do not know the precise date or the time. I can approximate.

Q What is your best recollection when that was?

A When I was approximately 22, 23, something like that.

Q What were the names of these parties?

A Those that I recall, some I remember

Nichols

first names, some last names. Is that good enough for you?

Q Well, I guess we'll step back. More generally, did these parties say they worked for a company or an agency?

A Yes.

Q What was the agency or company?

A One of said the Central Intelligence Agency, another said military intelligence and others -- I don't recall what particular --

Q What did you do while working for these people?

A Achieved objectives that they set out for me.

Q What were the objectives?

A They were multiple. Do you want me to start with what I recall?

Q Sure.

A The first one was when I first met them was to speak with a woman who stayed at the Surf Rider Hotel and find out why she was in Honolulu and who she was seeing and have cocktails with her, if possible.

Q What was the next one after that?

Nichols

A A Chinese woman that was in Honolulu that stayed at the Princess Kalani Hotel and to see who she was seeing and what she was doing.

Q What was the next one after that?

A A trip to Australia to see who was speaking, to my best recollection, and negative -- when I say negative, to see who they felt were being anti-American interest in an area that was formally an R and R location, Sydney, for U.S. Forces.

Q How did these people pay you?

A Cash.

Q How much did they pay you?

A Different amounts each time.

Q How much per year did you get?

A Pardon me?

Q How much were you paid per year?

A It varied. I cannot say how much.

Q For how many years did you work for these people?

A This specific -- the people specifically here?

Q The people that you just have been discussing.

Nichols

A Two, three years, those specific individuals.

Q How much were you paid over those two or three years?

A It depended on what the objective was. Sometimes they gave me 5,000, sometimes 25,000. They gave me money for overhead, travel and I lived on the surplus.

Q Approximately how much did they pay you total over that period of time?

A I would be guessing.

Q Was it more than a million dollars?

A No.

Q Was more than \$100,000?

A Yes, in my opinion, to my memory.

Q Was it more than \$300,000?

A I would be guessing.

Q What was your next employer after these three individuals -- I'm sorry, withdrawn.

What was the total number of individuals for whom you were working?

A I said there were several and I don't recall precisely the names. I remember the names of some of them and I do not -- I remember

Nichols

partial names like a first name or a last name
or -- a rank, but I do not remember all of them.
I cannot remember all the parties involved.

Q Just to be clear, you weren't -- you
were not personally involved by any government
agency at that time, correct?

MR. BAINTON: Objection.

You can answer.

Q Let me rephrase. Were you employed
by a government agency at that time?

A I received funds from those that
claimed to be with government intelligence.

Q Did you think at that time that you
were an employee of a government intelligence
agency?

A I did not. I thought that I was a
person that was facilitating their objective and
they were paying for it.

Q After you worked for the several
people who you just mentioned, what was your next
employer?

A Pretty much throughout from that
time to now it's been the same type of
relationship on and off. When I say now, I mean

Nichols

since the last year or so.

Q Just to be clear, since you were 22 or 23 years old to the present date your primary way of making money was to be employed by people who came to be associated with government intelligence?

A That's correct.

Q What was the next group of people associated with government intelligence that you worked with after the group that you just mentioned?

A I cannot -- I cannot put them in sequence. I cannot sequentially put my life with this type -- with my involvements sequentially. And I believe that's -- I believe that's the way you are asking the question. When you say next --

Q You mentioned that you were employed by Samuel Israel, correct?

A That's my definition by relationship with Samuel Israel, yes.

Q After that time did you ever do any work for anybody who claimed to be with government intelligence?

A Work being defined as compensated

Nichols

for something?

Q Sure.

A I don't recall at this moment. I just can't specifically say yes or no to that.

Q Okay. From 2004 until today what have been your sources of income?

A From 2004 to today I have basically lived off the funds that I made from Sam Israel.

Q Were there any other sources of income during that time period for you?

A I -- to my memory, no. I have declined involvement to my memory with anything other than that from the time of Sam Israel to this date.

Q Have you made any money on the investments that you have had?

A Concerning -- no. You mean concerning the Sam Israel relationship?

Q No. I am just trying to generally understand where you get the money that you live on, so I am asking whether you have had any investments that have yielded profits or returns --

A No.

Nichols

Q Okay. Do you have any savings other than the money from Sam Israel?

A Savings? You mean, do I have any money other than the money from Sam Israel?

Q Yeah.

A I'd have to think about that. I can't be sure. I would have to look at it and see is this something from Sam Israel or is it not or something like that. I mean, do I have something isolated not commingled with the Sam Israel involvement? I can't be sure on that type of answer. I don't know.

Q Is it accurate to say you don't know sitting here today whether any accounts that you have, have funds from sources other than Sam Israel?

A I am saying because it could possibly be commingled with funds that are other than Sam Israel it's a difficult question for me to answer. So when you ask me, do you have any other savings or funds other than Sam Israel, if they are in the same account or commingled with some other funds I don't know at this time. I would have to -- I'd have to research it.

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Q Let's break it down. Do you have any accounts at financial institutions that contain funds none of which came from Sam Israel?

A Yes.

Q How many?

A How many?

Q How many accounts?

A I can think of one, but I can't be sure there is not another. I don't know because there could be an account sitting there for years that I am not -- I don't -- I can't think of.

Q What is that account? At what financial institution is it held?

A It would be Commonwealth Bank of Australia.

Q How much money is in the account?

A I do not know.

Q Approximately?

A I'd be guessing. I'll say \$20,000.

Q In whose name is the account held?

A My name is and my wife's name.

Q What is the source of those funds?

A They would have come from an involvement I had that I do not know which one it

Nichols

would have been.

Q You don't know what you did to earn the funds in those accounts?

A Not specifically, no.

Q Was it generally some kind of contracting work for an intelligence agency?

A Or something related thereto.

Q Do you have any rental properties?

A Did I rent?

Q Yes.

A That I am renting or am renting out?

Q I will rephrase the question. Do you rent out any properties?

A I rent a piece of property that I am a partial owner of to a -- to someone, yes.

Q Where is the property located?

A In Queensland, Australia.

Q How much rent are you paid?

A How much rent am I paid?

Q Uh-huh.

A A dollar a month.

Q Who is the person that pays you a dollar a month?

A His name is Bruce Zelinski.

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Q How do you spell the last name?

A I would be guessing,
Z-E-L-I-N-S-K-I.

Q Do you have any other properties
that you rent out?

A No.

Q Other than the sources of income
that we have discussed, have you had any other
sources of income between 2004 and today?

A I have had a few checks, yes, for
residuals or whatever. I don't know the proper
nomenclature, but residuals from something.

Q From what?

A A motion picture that I was the
technical adviser on in 1992.

Q What is that motion picture?

A Under Siege. Possibly '93. I'm not
sure.

Q How much a year do you receive in
residuals from that motion picture?

A I believe it's something in the
neighborhood of \$8 to \$10 a year or something like
that, maybe more often, maybe quarterly.

Q Do you receive any benefits from

Nichols

federal, state or local governments?

A No.

Q So Medicaid or Medicare?

A No.

Q What was your total income for 2004?

A I don't believe I had any other income than the -- than what the Sam Israel and the residual checks and the renter paid. I can't be sure, though.

Q Is it your understanding that your income in 2004 was approximately \$10.001 million or -- let me rephrase that just to be clear.

Your income was less than \$10,000 over \$10 million in 2004; is that correct?

MR. BAINTON: Objection.

You can answer.

Q Well, withdrawn.

A Less than \$10,000?

Q Let me rephrase it. I don't want it to be ambiguous at all.

What is your understanding of what your approximate personal income was in the year 2004?

A Approximate at something around \$10

Nichols

million.

Q In 2005?

A I believe that the funds -- I don't believe that I had anything other than what I have stated to you as income from the Sam Israel thing. I have not done anything to my memory that I can think of at this moment.

Q Would it be accurate to say that from 2005 to the present each year you have earned less than a thousand dollars?

A From 2005 to the present? As I -- I can not be positive, but at this moment I would say that's correct.

Q Do you have an accountant?

A I have an -- I have people that do accounting, yes.

Q What are their names?

A I don't know. I would have to ask.

Q Who would you ask to find that out?

A My attorney.

Q Do you know the name of the company that does the accounting work?

A Not as I sit here, no.

Q So is it fair to say that your

Nichols

attorney Martin Simone goes out and finds an accountant and arranges to have the accounting work done on your behalf?

MR. BAINTON: Objection.

Q You can answer.

A I would say that Martin Simone recommended an accountant that handled certain things for me, yes.

Q Did you meet personally with the accountant?

A I have met the accountant, yes. I believe I have met the accountant. I can't say -- I have met people in the office, but I don't know if I have met the specific accountant, but I have met accountants and the office that does the accounting.

Q Did the office have a name; do you recall?

A It had a name. I recall that.

Q But you don't recall the name?

A That's correct.

Q Where is it located?

A It's in Encino, California, I believe.

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Q If you wanted to get your accounting records, how would you do it?

A I would ask for them, I believe.

Q Who would you ask?

A I would ask the accountant for whatever records I had there concerning me and I would find out who the accountant was that handled it. That's how I would approach it.

Q How would you contact the accountant, given that you don't know the name of the -- the accountant's name?

A I would ask my wife or Martin Simone what's the accountant's name that has handled anything for me.

Q You mentioned that in 2004 you had personal income of over \$10 million. Did you file any tax return for that money?

A No.

Q Did you intentionally not file a tax return for that money?

A That's correct.

Q Did you pay taxes for that money?

A I pay taxes when I am told to pay taxes and I have been told not to do anything

Nichols

concerning anything of my involvements unless I am instructed to.

Q Who told you not to pay?

A I have been told by various people.

Q After you received the \$10 million, did somebody tell you not to pay taxes on it?

A They told me they would tell me when I was to pay taxes and what I was to pay taxes on. They said they did not want anything mentioned about my involvements.

Q I don't think you answered my question. After you received the \$10 million in 2004, did anyone tell you not to pay taxes on that money?

A No, they did not.

Q Did you consult with anyone on whether or not you should pay taxes?

A Not on that specific -- that specific amount, but I have stated I believe what I have been told always. I would be told what to pay taxes on.

Q Did your accountant mention to you that because you made \$10 million you might have to pay taxes?

Nichols

A The accountant was handling something that was from -- as a result of the \$10 million that the money went out and required taxes paid. I am speaking not a personal thing, but something else.

Q Who has told you not to pay taxes, if anyone?

A The names?

Q Yes.

A Francis Driscoll.

Q Could you spell the first name?

A Francis or Frank, F-R-A-N-K, Xavier, Driscoll.

Q When did he tell you this?

A Nineteen -- approximately 1977, '78, something like that, '76.

Q Who else has told you not -- before me move off of Frank Driscoll, after 1977 did he ever tell you not to pay taxes?

A Repeatedly.

Q When did he most recently tell you not to pay taxes?

A He told me -- he did -- to answer this, I have to say again that he told me to pay

Nichols

taxes if I were instructed to pay taxes on something, otherwise I was not to in any way discuss what I was involved in and that included paying taxes on it. That's the only way I can describe it.

Q When did he most recently tell you this?

A Probably '92 or something, '90 -- this is a guess.

Q Who else told you not to pay taxes, if anyone?

A Colonel James Myler.

Q What is the last name, could you spell it?

A M-Y-L-E-R.

Q When did he most recently tell you not to pay taxes?

A That was back in the '70s also. I don't know specifically the time.

Q Was there any time later than the 1970s that Colonel James Myler told you not to pay taxes?

A No.

Q Did anyone else tell you not to pay

Nichols

taxes?

A I was told not to file, not to mention what I was involved in and I would never be bothered, and I was told this also by Harry Fair.

Q Could you spell the last name?

A F-A-I-R.

Q When did he tell you this?

A Approximately 1983, '84.

Q When most recently did he tell you this?

A That was the last time.

Q Just to be clear, what did he tell you about paying taxes?

A He told me I was involved in projects that were sensitive, of an extremely sensitive nature. He said he did not want these projects nor any of the electronics, engineering or any part of them ever reaching the public and I was -- I would never be bothered and to proceed with my life and do not file.

And I asked repeatedly what should I do about this. You pay me, what do I do? You will never be bothered by the United States

Nichols

government. You keep what you do private and never let this reach the United States -- never let the things you are involved in reach the public. They are national security matters. That's what he told me.

Q By never be bothered you mean never be asked to pay your personal income taxes?

A Never be bothered in any way by the United States government. You will never be bothered. Obviously, that is not the case, is it?

Q Did you understand that what he told you that he was telling you, you did not have to pay personal income taxes?

A I understood it very clearly that I was not to pay them and I was not to discuss what I was involved with and, again, I am repetitive, he said because the projects you are involved in your job is to make sure they never reach the public. They are very, very sensitive and they are very much -- they would be very much against the national interest of this country if they ever reached the public. That's what I was told.

Q Other than Frank Driscoll, Colonel James Myler and Harry Fair, did anyone else tell

Nichols

you not to pay taxes?

A I have discussions with this with Adrian Perry, Admiral. I have had discussions with Al Rankin, Fleet Ballistic Missiles, discussions with Peter Zackowski, NATO and Sole Source Armament to Picatinny Arsenal and Rock Island Arsenal on 155 caseless rounds. I have had discussions with it with James Hacker, worldwide chief of security, Hewlett-Packard, discussions with David Packard of Hewlett-Packard. I have had discussions with it with multiple other parties. If I can sit and think about it, if you would like me to continue, I will.

Q Just to be clear, all of these people told you, you didn't have to pay your taxes?

A All of these people told me that I was to not in any way disclose what I was involved in and the things that I was paid for and that included not filing taxes. And I state very clearly to you as the government I asked repeatedly should I file taxes.

Q Who is Frank Xavier Driscoll?

A Pardon me?

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Q Who is Frank Xavier Driscoll?

A Francis Xavier Driscoll.

Q What is his employment?

A He is an attorney. He represented himself to be a member of U.S. intelligence.

Q What branch of U.S. intelligence?

A I believe he would be with the Central Intelligence Agency, but I have no way of verifying background.

Q Why do you believe he is with the CIA?

A Because most of the time in conversation that he had around me were with Frank Carlucci who was with the CIA.

Q How do you know Frank Carlucci was with the CIA?

A Because I read it.

Q Where did you read it?

A In various documents that had seals on them and little eagles on them and little things on them that say CIA. And his name was involved in the body or in the body of the document.

Q Where did you obtain these

Nichols

documents?

A I didn't obtain them. I read them.

Q Where did you read them?

A Various files on briefings and things that I read that I looked at it. I read it and I saw the names on them.

Q Is it fair to say Frank Carlucci gave you some documents with little eagles on them and from that you inferred that he worked at the CIA?

A No, I said Francis Driscoll gave me the documents and Frank Carlucci's name was in the body of the documents.

Q How about Colonel James Myler, is he really a colonel?

A He stated he was a colonel with U.S. military intelligence. I do not have access to that database, so I could not verify it.

Q Do you know what branch of military intelligence?

A Army.

Q Harry Fair, what was his connection to military intelligence, if any?

A He was more ordinance oriented in

Nichols

the intelligence field. He was with tactical technology, Arlington, Virginia also DARPA.

Q Why did you think he was with DARPA?

A Because he said he was. And he was described as being with DARPA by others to me.

Q Between the time when you started working for these people that you understood were associated with military intelligence to the present, what was the most you ever were paid in a year for the projects you worked on?

MR. BAINTON: Excuse me, objection to form.

You can answer.

A I don't know.

Q In your entire life, what is the most you were ever paid in a year?

A You want me to guess?

Q Do you know the answer?

A Not specifically.

Q Was it more than \$10 million?

A No.

Q Did you ever make more than \$1 million in a year excluding the year that Sam Israel paid you \$10 million?

Nichols

A Make means receiving completely myself or make is the word from you -- not make. I did not make more than a million dollars.

Q I will rephrase the question. Did you ever receive more than \$1 million in income in any year other than 2004?

A I can't be sure because I would have to -- I don't understand how to answer that correctly. I would have to ask a question or two on that.

Q What do you not understand?

A If X amount comes in and the overhead on an objective or a project is X amount and that is spent by you to achieve the objective and this amount was more than a million dollars, and it -- let's say you reaped \$500,000 out of it, was that million dollars or more than a million dollars you handled considered income to you even though you spent it back out to achieve the objective? That's what I don't understand. In other words, are you speaking a net amount, are you speaking a gross amount coming through or an amount that is -- you know, you netted out of a particular undertaking?

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Q Did you ever net income of more than a million dollars in any year other than 2004?

A I don't believe so, no.

Q Did you ever net more than a hundred thousand dollars in any year other than 2004?

A Yes.

Q Approximately how much was the most you ever netted in personal income?

A It would be guessing. Several hundred thousand dollars.

Q When was this?

A It was '82 -- I am approximating, '82, '83, '84, that period.

Q Who paid you this money?

A These funds were provided by an entity called Fedco.

Q What did you do for Fedco?

A I was involved with them jointly and several other parties in the development of the fuel air explosive.

Q Is Fedco a --

MR. BAINTON: Did you say fuel air?

THE WITNESS: Fuel air

Nichols

explosive.

MR. BAINTON: That's two words, Madam Reporter, fuel, air.

Q Is Fedco a private company?

A I don't know what it is. This is what the unit was called. I can only say who was in the particular group that I was involved with.

Q Were you paid in cash?

A Yes.

Q Were you paid in actual physical dollar bills?

A Most of the time.

Q Would they come in -- how would they be bundled together?

A Couriers, usually.

Q Couriers would bring you like a sack of bills?

A A briefcase or something of that nature, that's correct, in various countries.

Q How many bank accounts do you have right now?

A I don't know.

Q Is it more than ten?

A I don't know.

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Q Do you have any U.S. bank accounts?

A Yes.

Q How many U.S. bank accounts do you have?

A I am guessing, but I'd say four.

Q At the end of each year, do these accounts send you tax reports?

A Never, no.

Q They don't tell you how much interest you earn in a year?

A I receive nothing from tax -- they're demand accounts or current accounts.

Q Have you ever had an account that earned interest?

A Probably, but I can't think of one. I always kept funds in a demand account or a current account.

Q Why did you think that the services that you provided to Sam Israel you wouldn't have to pay taxes on?

A Because I was told going back to the '80s by various parties including Mr. Driscoll and others about those particular boxes, and I have heard this from many sources, these particular

Nichols

boxes in U.S. government obligations. I have had meetings with the Chinese about these through the years. I have discussed them in Zurich and probably ten other countries. I never had any interest in them, but I was told that there were legitimate obligations to the Maiwah Family.

Q When did you first hear about these boxes?

A In the '80s. And I was told there were many that were non-credible and there were certain ones that were definitive obligations of the United States government.

Q Who told you that?

A Multiple parties. Would you like me to mention some of them?

Q Yes.

A Carl Sam of the -- involved -- credits with Zurich. Again, Francis Driscoll, Nicholas Zenn.

Q How do you spell the last name?

A Z-E-N-N, I believe.

Q Z-E-N-N?

A Right.

Q How do you spell the first name?

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A Nicholas. My spelling is poor.

Q Where does Nicholas Zenn work?

A He was the director or CEO --
managing director of Union Bank Space.

Q Anyone else ever tell you that those
were legitimate obligations?

A Irwin Kagi, the managing director of
Sentinel Bank.

Q How do you spell the last name?

A Sentinel Bank in Zurich,
Switzerland.

Q No, his last name?

A Kagi, K-A-G-I, I believe.

Q When did Carl Sam tell you these
were legitimate obligations?

A In the '80s.

Q When did Francis Driscoll tell you?

A He told me about that in probably
'84 or '85, something like that.

Q More recently, did he ever tell you
more recently than that?

A No.

Q Nicholas Zenn, when did he tell you
that they were legitimate obligations?

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A In the late '70s.

Q Ever more recently than that?

A No.

Q Irwin Kagi, when did he most recently --

A Also in the '70s, late '70s.

Q When did anyone most recently tell you that those obligations were legitimate?

A When -- would you ask me that again?

Q When most recently did someone tell you that the obligations that we have been discussing were legitimate?

A The last two years. I am trying to think precisely. In the last two years.

Q Who told you that?

A Tansri Teong.

Q How do you spell that?

A T-A-N-S-R-I, T-E-O-N-G.

Q Who else, if anyone?

A David Smith.

Q Who is David Smith?

A Who is he -- it's what he told me he was or what I was told he was. I don't know who he is.

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Q What did he tell you he was?

A He told me he was an adviser to the President of the United States.

Q What did you understand that to mean?

A That he was an adviser to the President of the United States.

Q In what capacity?

A Something to do with -- I believe his past was comptroller of the currency, something with the comptroller of the currency.

Q Did anyone else tell you that the obligations were legitimate?

A I have to think for a few minutes, but the answer is yes.

Q Let's step back. Actually, before we get into that, do you understand that you are being deposed here today in connection with two different actions, two different legal actions?

A I understand I am being deposed -- I don't know two different legal actions. I don't understand that.

Q What is your understanding of the legal dispute in the actions for which you are

Nichols

being deposed today?

A The way I understand it is that I was asked to do something by Sam Israel, I did what he asked me to do to the letter and that he and -- he told me the funds involved were his personal funds and I would work only with him and he was involved with people at a high -- connected at a high level of government, that they wanted to achieve an objective. And that I -- he asked me if I would do something for him, I did it and I understand now that it is -- I don't want to stammer here -- that there is an argument over the funds that he used to pay me are -- were bio-client funds or something like that and I had no knowledge of this.

Q What services were you paid the \$10 million by Samuel Israel to perform?

A Four things: To obtain a sealed box that origin Chinese, from the Chinese that he said he was quite familiar with and it could not be opened. I had no responsibility as to its content, but a sealed box and it must -- it had to be a hundred million dollars box, a hundred million dollars in a certain series or the series

Nichols

was irrelevant, but no more than a hundred million dollars on the plate and identification.

Q Just to be clear, this is a plate on the outside of the box?

A The plate on the outside of the box had to state that it was a hundred million because the ones that were bogus or whatever according to him were different figures, much higher figures.

Who to negotiate the box with, or the settlement of these boxes with the Chinese, in other words, names, phone numbers, who had the authority to negotiate settlement of these boxes. He wanted currency, silver certificate, Federal Reserve notes that were held in secure vaults overseas. He wanted photocopies of them. He wanted authentication of one of them by his authenticator. And he wanted the location of the security house and who to -- who could negotiate the settlement of that currency or those government debts. That was what he asked for. And he offered the amount. I did not suggest it. He offered it. If I could obtain that for him.

Q Other than the services that you just described, were there any other services that

Nichols

you were being paid for with the \$10 million?

A Only to give my opinions or consult, you know, give my opinions on what his undertaking was because he was proceeding with John Ellis and my name was a one-time payment.

Q Just to be clear, these consultation services, that was only in reference to the four services that you just described?

A That he said to me was what I was being paid for. And at the end I stated very clearly that if I provide that is that it, he said that will be it, but I would like to put down -- you know, call you, ask you questions, you know, for your assistance.

I said, of course, and -- and when I had provided him precisely with what he asked for, he told me, you have completed the contract with me, the agreement is finished and you have done what you were paid to do, and I will call you if I need you, and that was basically it on that matter.

Q Just to be clear, the services for which you were paid all related to this treasury box and the silver certificates; is that accurate?

Nichols

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2 A To obtain -- to provide to him this
3 box unopened, that was one, to provide to him the
4 names of the principals with whom he could speak
5 or the parties to speak to negotiate the
6 redemption of that box and settlement of that box
7 and other boxes of the same nature, to provide to
8 him copies or photocopies precise of Federal
9 Reserve notes and United States government --
10 alleged United States government silver
11 certificates, and with whom he could -- their
12 location, what security vaults and security house
13 they were located in and with whom negotiations
14 could take place to settle that. That was what I
15 was asked to do.

16 Q You weren't being paid for any
17 consulting services relating to any projects other
18 than the ones that you just outlined?

19 A No, other than just those matters,
20 those, you know, concerning that, but -- however,
21 he said to me, you know, would you help me with
22 this, could you tell me that and this and
23 everything else? And I said, of course, I am
24 going to assist him because of other interest I
25 had -- other involvements I had with him that were

Nichols

none related to the \$10 million.

Q But just to be clear, the \$10 million, the services you were providing were only related to the projects that you just described --

A That's correct.

Q -- with the treasury box and the silver certificates?

A That's correct.

Q On occasion you provided him with other services not in relation to the \$10 million; is that correct?

A I made comments. I mean, he would ask me my opinion of things. When I say this, that, I had in other words no authority. I had no authority or was never in any position of authority to do anything for him, but he would ask my opinion repeatedly on things and, you know, what do you think of this and so on and so forth. And I didn't decline answering him. I said I'd do this or that, but it was not related to the payment he made to me. And I would like to see someone else go get another box and the things I did for \$10 million.

Q When did you first discuss the box

Nichols

with Samuel Israel?

A Within an hour after I met him.

Q And how did the topic come up?

A He brought up the box, he brought up the currencies, and asked me to speak with him alone about it because there were other parties when I met him that were there, and he asked me to go with him to his hotel and he wanted to discuss something private with me.

Q Let's step back just a little bit. How did you come to initially meet him?

A I was asked to meet him on the development of a security card for some business he was involved in that he wanted to know if a card could be developed that would require retinal scan or whatever, that if the card were lost that the card would be -- would be of no value to someone who pilfered it or if it were lost or whatever. It was basically a security cut for some business he was involved in and -- in another company that I had nothing to do with. He asked me, do you have the relationships to develop that card?

We discussed it and I said, I will

Nichols

check. And I did and the parties I talked to said, yeah, it could be developed, yes.

Q They said it could be developed?

A Yes.

Q Who were the parties?

A Paul Staub.

Q Who else?

A A man named Paul Staub, a friend of mine.

Q Who else, if anyone?

A That's all I needed. He was a software specialist. He did the software for the B-1 bomber. He did the Hillside Missile software. He was quite knowledgeable in software, so he told me it could be done.

Q What exactly did you ask him?

A I just said that I just met with someone who wanted a card that could be used as a debit direct or some kind of card for his company that he said it was called and if the card were lost it would be of no value to someone, basically a very secure credit card-type thing, you know, thermal, thumbprint, you know, retinal, something along -- you know, of that order.

Nichols

Q Who arranged this meeting between you and Israel?

A A guy named Jack O'Halloran.

Q How do you know Jack O'Halloran?

A Oh, I met him many years ago or something. I don't know how; I can't say. I had seen him and spoken with him on and off for many years. He was married to a woman, a nice woman, who we would have dinner and then social relationship pretty much. He'd call me and he'd -- called me on this and asked me about this.

Q Is this an area of your expertise the that people consult you on very regularly?

A I couldn't hear that.

Q Do people regularly consult you on this topic of software and security cards?

A That's the first time it ever happened.

Q Why do you think you were called on to meet with Israel if it had never happened before?

A I was asked if I knew, not myself, if I knew someone who could accomplish that. I did not know if I did, but I said I will have

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2 someone research it that is qualified and would
3 give me an answer yes or no. I have declined
4 quite a few projects in my life and can't -- have
5 no chance of going forward. This one could have
6 gone forward if he wanted to pursue it, but it
7 basically was not the reason that he met me. He
8 met me because he wanted to talk about his other
9 business. In other words, I thought the meeting
10 was specifically for that card and then it went
11 off to the other thing.

12 Q So your understanding is Israel kind
13 of set the meeting up, the card up, as a pretext
14 so he could actually speak to you about this
15 treasury box project?

16 A Well I wasn't supposed to meet with
17 Israel. I was asked to meet with Dan Marino, his
18 office manager, and he was there.

19 THE TRIAL OFFICER: We have
20 about five minutes of tape left.

21 Q Is it your understanding that Dan
22 Marino worked at Bayou?

23 A I didn't know about Bayou. I just
24 knew that they had a company in -- I believe it
25 was Isle of Man, the Isle of Man. They had a

Nichols

company in the Isle of Man that wanted to -- they were investigating the possibility of doing a security card for and offering a service to someone with the card.

Q When you say they, who are you referring to?

A I mean Sam Israel and I am speaking backwards. I didn't know Sam Israel, but Dan Marino and Sam Israel. The Sam Israel was there and Dan Marino wasn't there and that's what I was introduced to him.

Q How did Sam Israel -- in what terms did Sam Israel describe the treasury box project?

A He said to me -- he asked me to leave the hotel we were at, The Dorchester, and go to his hotel, which was Claridge's, and he wanted to talk to me about something else other than the card which only two or three minutes -- I'd say ten minutes of this was discussed. There were other people there, four or five people whom I didn't know or have any idea what their position was, their relationship was with regard to this. And I said to the chap, O'Halloran, he wants to speak to me alone. Do you object to that?

Nichols

Because I thought it would be rude if I just walked off with him not knowing him. And O'Halloran said, we're having some lunch. Of course, go talk with him.

And so he said, let's go to my hotel. We went to his hotel and in the car he said, I wanted to discuss with you -- or in the taxi, I want to discuss with you a couple of things concerning obligations of the United States government and, you know, he referenced currency and boxes that are very, very sensitive.

And when we got to the Claridge Hotel, he said to me, I want to substantiate my relationship concerning this or my relationships with government and he said, are you familiar with this?

I said, I am very familiar with it, but this type of business could not proceed in any way, I have been told, unless you are dealing at the absolute pinnacle or highest level because of certain measures that are taken for plausible deniability on the obligations, deniability.

So he said to me George Soros -- and that's the only name I remember, but several

Nichols

names -- this is how they made their money and
this is what I want to pursue.

And he said, I will call John Ellis
right now on the phone who is the cousin of the
President and he is one of my best friends and
we'll proceed and we'll discuss this.

I said, you don't have to call John
Ellis. To me he would be a voice on the phone.

And he said, would you pursue it and
do you have the ability to provide the things, the
four things we just mentioned?

And I said, I can't be certain at
this time.

He said, for \$10 million?

I said I could. I could probably do
it, but my requirement would be meeting John Ellis
because to provide you anything if you do not have
a relationship at the absolute correct level it
would be in no one's interest, not the Chinese,
not yours or anyone else's.

He said, okay. He said, we'll work
out a time for you to come to my home in Bedford
or wherever it is, in New York, I mean, and he
said in the next month or two. And then he asked

Nichols

me about fund trading programs, you know, high yield type, do you know about this?

And I said, you hear these things all the time. I have heard about them for years. I know people who claim that they are beneficial to the U.S. interest and could you introduce me to someone in that? Do you know someone? I said, I know Steven Hickock who is pursuing -- who is pursuing things for U.S. government or the U.S. interests, and I understand the purging trust behind it, you know, its benefits and distributes it, pretty much to where they should be placed, you know, for the U.S. interest and maybe he is interested in speaking to you.

He said, ask Human Coalition Eight Foundation. He asked me if I would do that -- arrange that meeting. I did and they met that night.

See, how Martin will kill me after that because he would say, why did you talk for 30 minutes about something?

THE WITNESS: That's it.

Sorry, Martin.

Q Was it your understanding that

Nichols

Israel was discussing the same treasury boxes that you had heard about back in the '80s from other people?

A Absolutely.

Q How did you know he was talking about the same boxes?

A Because he said Federal Reserve, a hundred million dollars gold certificates and I believe to this minute I have heard your assessment that those boxes are correct.

Q When you say the boxes are correct, what do you mean?

A I mean, I believe they are obligations.

THE TRIAL OFFICER: If I could take this opportunity to change the tape. The time is now 11:09.

(Whereupon, at 11:09 o'clock a.m., a recess was taken to 11:23 o'clock a.m.)

(The deposition resumed with all parties present.)

THE VIDEOGRAPHER: The time is now 11:23. We're back on the record.

Nichols

This marks the beginning of Tape Two.

R O B E R T B. N I C H O L S, resumed and
testified further as follows:

BY MR. ALBERTS:

Q I just have a couple of follow-up
questions concerning your current assets. What is
your current residence?

A 4999 Kahala Avenue, K-A-H-A-L-A,
Avenue, Honolulu, Hawaii 96816.

Q Do you have any other residences?

A Yes.

Q What are the addresses of those
residences?

A I'm sorry?

Q What are the addresses of those
residences?

A I would -- I think it's 32 -- I am
not positive, could be 34 -- 32 or 34 Grosvenor
Square, London W1, Mayfair, England.

Q Any others?

A I guess my parents' ranch. Is that
a residence?

MR. SIMONE: Yes.

A My little desert spot, Windmill

Nichols

Acres Road -- I don't know the number, it's just a rural spot -- Prescott Valley, Arizona.

Q Do you own this property in Prescott Valley, Arizona?

A Yes.

Q And in what capacity do you own it?

A Jointly.

Q With whom?

A My wife.

Q And for the property located on what was it, Grosvenor Square in England?

A I lease it.

Q What are the lease payments? What are the amounts of the lease payments?

A I don't know exactly. I'd say \$15,000 a quarter or something, but that's a guess.

MR. BAINTON: We have produced the lease.

MR. ANBINDER: When did you produce that?

MR. BAINTON: Yesterday. And I think it's -- if you don't mind me saying, I believe it's around

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53,000 pounds a year. That's my memory, but whatever the documents says the document says, but that's my memory.

MR. ANBINDER: Okay.

Q And the property, was it Kahala Avenue in Honolulu, is that leased?

A No, that's being purchased. That is being purchased. It's not leased.

Q When you say being purchased, what is it right now?

A Well, it's heavily mortgaged, you know. I mean, it's not free and clear. It's in the process of purchase over years, so.

Q Is title in your name?

A Yes, or a company name, you know, just specifically has that.

Q Do you know what the company name is?

A RBN Consultants.

Q Are you associated with any other companies besides RBN Associates?

A No.

Q What is the business of RBN

Nichols

Associates?

A To purchase that apartment.

Q Is that a for-profit business?

A No.

Q Is it a not-for-profit business?

A It has no profit, so is it for profit? I don't know how to answer that. It's what the apartment's name is in.

Q What is the purpose of the business?

A To own --

MR. BAINTON: Objection.

You can answer.

A To own the apartment, say real estate holding, you know, that's all I can say.

Q Does RBN Associates have --

MR. SIMONE: It's RBN Consultants, so we don't have to later correct the record, make it easier for you.

Q Is RBN Consultants a charitable organization?

A Treadwell?

Q Charitable.

A I thought you said treadwell. No.

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Q Does RBN Consultants do anything other than just own that one property?

A Absolutely nothing else.

Q Have you ever been associated with any other business besides RBN Consultants?

A Any other business?

Q Yes.

A Been associated with? I don't understand the question.

Q Let me rephrase it. Actually, I will ask a slightly different question.

Have you ever controlled any other company?

A I have been a director of -- well, I can't say that, director. Yeah, I was a director of First Intercontinental Development Company.

Q When was that?

A Through the '80s I would say pretty much, late '70s and '80s.

Q What's the business of First Intercontinental Development Company?

A The objectives were to establish steel mills, listening posts or whatever, in Lagos, Nigeria, Abeokuta, Nigeria, Amman, Jordan

Nichols

and proceed with negotiations to develop Vellalar, the transportation area of Beirut, and rebuild the city of Damura which had been heavily shelled at the time.

Q Was that a charitable organization?

A No, I don't believe so. I'm not sure.

Q Was the goal of that organization to make money?

A Excuse me. This goes to objectives, to accomplish objectives as we spoke about before. The directors of the company had me do certain things for the company. Would you like me to describe that?

Q Were you a director of the company?

A Yes, I was told I was. I did not have access to the database, but I was told I was.

Q Did you go to board meetings?

A There were board meetings, mainly by conference call, but several with various members of the board and the other conferences.

Q If we looked at the board minutes, would your name be there as somebody attending?

A Yes, I believe it would. I was

Nichols

there.

Q What is your Social Security number?

A 560-56-8961.

Q Have you ever used any other Social Security numbers?

A A mistake was made once on my Social Security number that popped up on a driver's license, but I have never used it, you know, intentionally anywhere. I didn't -- in other words, I didn't know it for a couple of years. I read it as my number, but it was an unintentional thing.

Q You are saying you had a driver's license that had some type of typographical or in the Social Security number?

A Right. That was before, before when they put Social Security numbers on driver's licenses.

Q What is your date of birth?

A 3-6--43.

Q Have you ever used any other date of birth?

A Not to my knowledge, unless I reversed it for European or whatever the country

Nichols

is. You know, it's reversed in other countries, so I would be reversing it.

Q The cash payments that you previously mentioned having received from people who worked for intelligence agencies, did you ever sign receipts for receiving those cash payments?

A Sometimes I was asked to sign receipt funds.

Q What happened to those receipts?

A They didn't give me them to me.

Q Were you ever given any paperwork reflecting payment that you were -- that you received?

A No.

Q Did you ever use code names in connection with the projects that you did for these individuals or associated with intelligence?

A They used code names.

Q Did you have a code name?

A I had been called different names, yes.

Q What were the code names that you were called?

A They are embarrassing. I guess you

Nichols

don't care.

Q What were the code names?

A Well, the directors at Fedco and the British called me Mongoose.

Q Any other code names?

A On the fuel air explosives, I believe I was called Eel. Not very complimentary.

Q Any other code names?

A No, that I recall.

Q Do you think there were other code names that you don't recall?

A That is possible, yes.

Q We have discussed your income. Does your wife have any sources of income currently?

A No.

Q Since 2004 has she had any sources of income?

A No.

Q At the time that you received the \$10 million payment, what assets other than the \$10 million did you have?

A Several hundred thousand dollars cash, I believe, and some property in Australia. And I think I had the -- I mean, the apartment in

Nichols

Hawaii. I don't remember if it was exactly before or after because I had been there for many years, so I can't be sure if -- at what time that was purchased, you know, I mean, if it was before or after. Had nothing to do with this, but I don't know precisely. You know, in other words, it could have been 2003 or something like that.

Q Any other assets?

A Property in Australia, that, a good wife.

Q Fair enough. The property in Australia, how much was that worth at the time approximately? And just to be clear, I am talking about the time at which you received the \$10 million payment from Israel.

A I would have to guess.

Q Can you approximate?

A That's a guess, isn't it?

Q Well, was it worth more than \$10 million?

A I would be guessing.

Q Your understanding is you may have owned a property worth more than \$10 million in Australia?

Nichols

MR. BAINTON: Objection.

A I have answered I guess.

Q Was it worth less than \$10,000?

A I don't believe so.

Q Was it worth less than a hundred thousand dollars?

A I don't understand the current -- what the total has been on property in Australia at this time. I just don't know how to answer it.

Q Just to be clear, I am talking about in 2004.

A I thought you said property before.

Q The property at the time that you received the \$10 million from Israel.

A In other words, property that had -- was before Israel that had nothing to do with Israel, before I met Israel, is what you are asking, isn't it?

Q Just to be clear, when you received the \$10 million, at that moment other than the \$10 million I am asking you what other assets you had?

A I said property in Australia.

Q What is the nature of that property?

A It is non-income property.

Nichols

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Q Is it a house?

A May have a tiny little shack on it or something. I can't be sure, you know. There was a hurricane there since I was there last.

Q Can you just generally describe the nature of the property?

A It's a rain forest.

Q Do you know how many acres, approximately?

A Approximately 150.

Q When did you buy that property?

A Sometime in the '80s. I can't be sure of what year.

Q Have you ever since 2004 received any income from that property?

A No.

Q Do you have currently any assets in any location other than the -- other than that property that is somehow attributable to that property?

A Do I have any other assets that are attributable to this property?

Q Such as rental income?

A I'm old. You have to help me with

Nichols

these things.

Q Sure. Here. I will break the question down a little bit. Have you ever rented out anything -- any part of that 150 -- of that approximately 150 acres in Australia?

A No.

Q Have you in any other way received any income from the property in Australia?

A No.

Q Do you have any accounts anywhere that have funds in them that somehow came from that property in Australia?

MR. BAINTON: Objection.

You can answer.

A No.

Q Just to be clear, did you understand the question?

A Do I have accounts that receive income from that particular property in Australia, is that the question?

Q That receive income or in any other way received transfers, monetary transfers, from the property on Australia?

MR. BAINTON: Objection.

Nichols

You can answer.

A They did not receive -- there is little tiny thing here. I will just say it right out to you. If you pay your taxes in Australia, your rates, if it's overpaid, they send a little something back, but it was yours originally, but there was no income from the property. There is no account that receives income from the property.

Q I see. So you pay income taxes on this property in Australia -- withdrawn.

You pay property taxes on this property in Australia?

A That's correct.

Q Do you pay property taxes on any other assets that you own?

A Yes.

Q What other assets do you pay property taxes on?

A I am a partial owner of another piece of property in Australia.

Q When did you become a partial owner of that property?

A I'd say probably 1990. I'm guessing, but 1990.

1 Nichols

2 Q So in 2004 when you received the \$10
3 million payment you had two properties in
4 Australia at that time?

5 A I had one property with my wife
6 jointly and I own part of another property.

7 Q What is the nature of that other
8 property, the one from 1990?

9 A When you say the nature, you mean is
10 it a non-income or income earner, or is it green
11 or desert? I don't understand what you mean by
12 nature.

13 Q Sure. Initially, I kind of want a
14 general characterization. For example, if it's a
15 building, a ranch, part of the ocean, cave, house;
16 what does it look like?

17 A It has a little building on it and a
18 little probably, you know, shed, and it's looking
19 over a river and it's by the ocean. It has
20 crocodiles --

21 Q How many --

22 A -- nearby.

23 Q -- how many acres is it?

24 A I'd have to guess. I'd say 20.
25 It's jungle.

Nichols

Q Do you pay property taxes on your property in Hawaii?

A Yes.

Q The individuals who instructed you it wasn't necessary for you to pay taxes, did that only apply to income taxes and not property taxes?

A That's the way I understood it.

Q Why would it apply to income taxes and not property taxes?

A I do not know and I will -- to clarify or for clarity, they said I was to do nothing concerning my involvements. I asked the question, should I pay taxes? How do I explain how I live?

You are to do nothing. You will never be bothered by your government, period. Your job is to keep this information engineering, et cetera, et cetera, in secure locations. It is a very sensitive matter, very sensitive to this country, and under no circumstances can this reach the public, and you will never ever be bothered by your government, ever, period.

Q Did you ever receive anything in writing that told you this?

Nichols

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A No. It was one of those trust me.
And for 65 years, I have never been bothered by
the United States government until now.

Q Were you ever --

A Maybe bothered is the wrong word.
Approached in a negative way. And my files, they
said they never wanted my files at any time to be
public, at any time, under any circumstance.

Q Have you contacted any of these
people about the document discovery that you have
been producing in this action?

A Not now.

Q Why not?

A Because you're here. I was told
this wouldn't happen. You want me to rephrase
that?

Q Sure. If you can expand on it, that
might be helpful.

A I was told that this, what is taking
place today, would not happen to me. I do what I
am told to do. I am a facilitator. I am a person
who is tasked to undertake something, achieve an
objective. I -- if I believe I can do it and the
terms are worked out, that's what I do. And I

Nichols

will never be bothered for achieving those objectives. That's what I was told. There is no paperwork in my world, except the results of achieving the objective. There is paperwork there.

Q To your understanding --

A Now we can break out this type of thing.

Q Okay. Go ahead and break it out.

A Am I am talking, if you order me -- so order me to produce the fuel air explosive designs and all, you are the United States government. You have the right to do that and I will make every effort to do it.

Q I see. Did you understand that the reason why you weren't supposed to pay taxes was because you wanted to keep secret from the IRS that you were doing contract work for military intelligence?

A I don't understand the minds of the -- of these people. I don't understand. I can't think for them. I am saying they asked me to do something. They do not want that, evidently, to exist for whatever security reasons

Nichols

they have and I do what I am told to do. And they say, you will not be bothered; you will not be harassed; you will not ever have any problems. Just do what you're supposed to do and go through life and that's it. And that's what I have done.

Q Did any of these intelligence people ask you to enter into a service agreement with Samuel Israel?

A No. They have asked me repeatedly to become official, to sign secrecy agreements and things of this nature and I declined that.

As far as Samuel Israel, I am going on what they told me the sensitivity, the nature and the sensitivity of this type of alleged we'll say government debt. And they say at this level you have plausible deniability. At this level, you can proceed forward with this particular type of debt.

The Chinese didn't say, give this to Sam Israel. They said, sit down with the correct credentials in the treasury or the Executive Branch with this if that's necessary. These are legitimate documents. This is a legitimate debt.

So, Sam Israel said that's what he's

Nichols

gonna do. They didn't say, work this out with someone in an alley or something of that nature. They said, sit down with the correct parties and the United States government.

Sam Israel said, I am going with my best friend, John Ellis, and proceeding.

Now, John Ellis, I would not take any money on this particular business until John Ellis received the information, had time to verify this dealing with someone high in DOD, et cetera. They said they'd settle for eight cents on the dollar, this business goes on and on. That wasn't my part of it. My part of it was to produce what I was retained to do and that's what I did.

Q I think you might have forgotten my question.

A I did.

Q Did any of these government intelligence people instruct you to work for Sam Israel?

A Any of these people that say they are government intelligence asked me to work for Sam Israel, no.

Q So is your -- it was your own

Nichols

private adventure, correct?

A They said to me -- when you say any government intelligence people, you would have to go to who Steven Hickock -- who are these people that you know. I cannot as I say enter in or I do not have access to your database. I cannot go verify background. People who I understand to be connected with that particular protection say, this is the best way to proceed with this. The one I reference was David Smith.

David Smith said that that was a legitimate debt of the United States government. I was told that five of those had already been taken and settled on by the United States government. The Chinese stated that. The Chinese stated they were settled with payments from Morgan -- back -- Chase Morgan. So these are things you can investigate yourself. You have the resources. If there is something to it, there is. If there's nothing to it, there isn't. I never said what the box was worth and I simply said in my -- I will do what I am retained to do and achieve, again I say, the objective, which I did.

Q Was it your understanding that you

Nichols

were being retained by Israel as part of a private venture of Sam Israel's?

A Absolutely. He stated that very clearly. I was not to discuss it with anyone, had nothing to do with beyond he was working on with John Ellis and even John Ellis, he said he was keeping it -- you know, was under particular, particular management.

Q Were you ever employed by Bayou?

A No, never. How could I be employed by Bayou when I don't even understand what it does?

Q You have heard of Bayou, correct?

A Of course I've heard of it.

Q What is your understanding of what Bayou is?

A I thought it was a hedge fund or buying, selling, trading hedge fund. It is not something that I have any involvement with whatsoever.

Q Did you know that Sam Israel worked there?

A Oh, he told me he owned it.

Q What about Dan Marino, did you know

Nichols

he worked there?

A He told me he was his general manager.

Q The general manager of Bayou?

A Yes.

Q Did Israel ever arrange for you to have any benefits, health benefits?

A Health benefits from Bayou?

Q At all in any way.

A I think Israel one time gave me a little card and said you have life insurance when you travel or something like that but, I mean, it was nothing -- it was nothing. He did things like this all the time, you know. I don't have it, didn't use it.

Q Did you ever use any kind of medical benefits that Israel gave you?

A Absolutely not.

Q Okay.

A Israel stated very clearly to me that he was worth approximately \$200 million and he -- two to 250 and he had management of another 250. My relationship with him was for him -- to him specifically. That's it.

Nichols

THE WITNESS: I will shut up
now, Martin.

Q I show you a document that's going
to be Government Exhibit 1. Will you look at that
document?

(A document dated July 8, 2004
was marked as Government Exhibit No. 1
for identification, as of this date.)

Q Do you recognize that document?

A I have never seen this, to my
knowledge. I don't even know what it is and I
can't even see it without my specs.

Q This is a document dated July 8,
2004, subject line re: Robert B. Nichols, Plan No.
G365771. It's signed by or the name Caroline R.
Sherry appears on the bottom.

Have you ever heard of Guardian?

A I can't be sure, but I think that's
the little card he gave one to me and one to Ellen
on "I have insured you people as my friends," at
his house one day.

I mean, it means nothing because
obviously -- I mean, to me, because I obviously
didn't work for the firm Bayou, know nothing about

Nichols

the business and never used the card. Probably --
it's probably at his house.

Q The first paragraph here states,
"Attached are forms for the enrollment of the
above-referenced employee. Mr. Nichols will begin
his employment with Bayou Security LLC effective
July 1, 5, 2004. Please activate his enrollment at
the first applicable date July 15, 2004."

A So, in other words, enrolling me in
the health program the day that I start; is that
what it means?

MR. SIMONE: There is no
question pending. Listen to the
question.

THE WITNESS: Okay. Sorry,
Martin.

Q Your testimony today is that you
weren't an employee of Bayou Security, LLC at any
point?

A Not to my knowledge I was not in any
way an employee of Bayou.

Q Did you receive medical treatment in
the year 2004?

A Medical treatment in the year 2004?

Nichols

You mean like dental or eyes or --

Q Any form of medical treatment.

A I think I did. I had an eye check, yes.

Q Did you receive any medical treatment that was paid for by Guardian?

A No, I did not. I know you have something there that says I did, but I didn't.

Q Other than the \$10 million payment from Israel, did you ever receive any other payments from any Bayou entity?

MR. BAINTON: Objection.

A Bayou entity, I don't understand entity.

Q Let me rephrase. Did you receive any payments in 2004 from any source other than Israel?

A If I received payments from any other source other than Israel in 2004? Boy, I don't know is the answer. I can't --

Q I will show you a document that is going to be Government's exhibit 2.

(A document entitled IMG, LLC was marked as Government Exhibit No. 2

Nichols

for identification, as of this date.)

Q This is a spread sheet in the upper left hand corner there is a header IMG, LLC, then Citibank, the number 63584437. I'd like to call your attention to the second line of the spread sheet and do you see a line that has the date 4/5/2004?

A Yes.

Q What is the entry under Transaction?

A Consultancy fee -- oh, under Transaction? My name.

Q Can you read it?

A Should I read it?

Q Yes.

A "Nichols, Robert Booth, business.

Q What is the payment amount that's listed?

A Eighteen thousand dollars.

Q Did you receive a payment of \$18,000 in approximately April 5, 2004?

A I probably did, yes. I did I think, yes.

Q What was that for?

A For me to meet on the Debit Direct

Nichols

card.

Q Who paid you that?

A Well, here it says -- I don't know who paid me. I thought Dan Marino paid me, but it could have been -- could have been -- well, I can only answer, I thought I was being paid for this by the group that I said before were in the Isle of Man that wanted the card that Samuel Israel and Dan Marino owned a company in that geographic spot.

Q What was that company, that Isle of Man company?

A I thought it was debit -- Debit Direct.

Q So you thought you were paid the \$18,000 by Debit Direct?

A That's what I assumed. I mean, that's who wanted the -- or possibly Dan Marino or -- on behalf of Debit Direct.

Q I am going to show you a document that's going to be Government's Exhibit 3.

(A document entitled Paid Productions, LLC was marked as Government Exhibit No. 3 for

Nichols

identification, as of this date.)

A Do you want me to look at these
here?

Q Well, this is a document. The
header states, Paid Productions, LLC, transaction
detailed by account. I'd like to specifically
call your attention to 4/5/2004. You will see in
the Name column it says, Nichols, Robert Booth,
business. Do you see that entry?

A Yes.

Q Reading across the page in the Paid
amount, do you see a negative \$9,000?

A I see wire on behalf of Dan Marino.
Then it says, distribution DM. Then it says minus
\$9,000 and then their balance, I guess, their
corporate balance or his balance.

Q On April 5 do you recall receiving a
payment of \$9,000?

A I don't recall it, but I don't
question I received it.

Q Have you heard of Paid Productions,
LLC?

A No. Paid Production, LLC? No.

Q Do you have any idea what this

Nichols

\$9,000 payment was for?

A Well, when I look at this and it says 18, I would say that it was 25 -- you know, that it was near 25, which is what I said if you want me to mess with this you're gonna pay me. So I imagine that I don't have any idea why it's not exact, but two payments, I guess. It would be for the same thing, meeting them to talk about their card, that's for sure.

Q So your understanding is the \$18,000 and the \$9,000 were both payment for you to meet and talk about that card?

A That's absolutely the way I remember it.

Q Your understanding is that --

A Because I didn't know them.

Q Both of these payments came from this Isle of Man company?

A I didn't know if it came from the company. It was for the company. They wanted the card for the company, according to them.

Q I'd like to show you a document that's going to be Government's Exhibit 4 -- exactly Government Exhibit 4 is going to be two

Nichols

documents.

(A two-page document entitled
COBRA Employee Information Letter and
COBRA Letter to Terminating Employee
was marked as Government Exhibit No. 4
for identification, as of this date.)

Q The first document has the header
COBRA Employee Information Letter. The second has
the header COBRA Letter to Terminating Employee.

Do you recognize these two
documents?

A No, I don't.

Q Did you ever receive a COBRA
Employee Information Letter?

A I don't remember it if I did at all.
This is about health insurance or something?

Q The address that's listed under the
To line, is that an address that would go to you,
Box 10307 Kahala?

A That's my post office box in Hawaii,
but you said, I believe, do I remember receiving
this. I do not remember receiving this. I
remember only what I stated before. I remember
him with his little card saying, you know, I've

Nichols

got you health insurance for you and your old wife and old you. And I said, great. Never used the cards. That was it.

Q On the second page, I'd like to call your attention to the second full paragraph. This is the page that starts, COBRA Letter to Terminating Employee. It states, "This regulation affects former employees including retirees and dependents of employees whose coverage under our health care program has stopped."

Does this refresh your recollection about whether you had enrollment in a health care program?

A I believe I said to you I got my little card from Sam Israel on the health program. I didn't use the card I got it. So I'm saying I got it. I don't know this paperwork is what I thought your question was, do I recognize this. I do not.

Q Did Israel ever loan you money?

A Never.

Q I am going to show you a document that's going to be Government's Exhibit 5.

(A rough draft was marked as

Nichols

Government Exhibit No. 5 for

identification, as of this date.)

Q Have you ever seen this document?

A Never.

Q Did Israel ever transfer \$10 million to you from Postbank account?

A Yes, he did. That's how he paid me.

Q Did that Postbank account contain any Bayou entity funds?

A No.

Q How do you know that?

A Because it was in his name and he said they were his funds. Tell that to the director of the bank, these are my funds. I could burn them if I want. He said something to that effect. Not only the director of the bank, he said it to the regional manager of the bank, I mean, the whole geographic area, because he asked him about his funds and I was sitting there.

Q Were you aware that any of the funds in the Postbank had been transferred from an account in the name Bayou Fund, LLC?

A I don't recall that. I just remember he said they were his funds and he said

Nichols

that -- he said the bank asked him and he told the bank they are my funds.

Q Did you ever see any documents that suggested that the funds that went into that Postbank came from a Bayou account?

A I don't know the answer to that because he described everything as I have my funds, you know, in accounts here and there, but my funds are separate. He told that to the bank and all that they are funds in here and these are my funds, and these are their funds, but my funds are totally separate. I can do with them what I please.

Q I will ask the question again. Did you ever see any documents that suggest that the money that went into the Postbank came out of an account that was a Bayou fund account?

A Did I see something that came out of a Bayou fund account? I don't think so. I don't know. I mean, they were his funds to me. I don't remember reading any papers or seeing anything.

Q Were you concerned about the possibility that the funds were coming out of Bayou as opposed to coming out of Israel's

Nichols

account?

A Absolutely -- well, I would be very concerned if they were coming out of Bayou because it would void the commission agreement he gave me.

Q So if you had seen a document that said the funds going into the Postbank are coming out of a Bayou account that would have been very significant to you?

A It would be significant because then I would want fee protection from him. He gave me a fee protection agreement for -- yeah, well, Steve -- he gave me a fee protection agreement, but he gave it to me as an individual on everything he did. And if it was coming from Post -- if they were Bayou funds, I would have told him, I want a corporate resolution from Bayou, you know, authorizing him to give me the fee protection. Otherwise, if he were successful in locating whatever he -- you know, program or whatever he was going to invest in, it would go back to Bayou and I would be paid nothing.

Q Did you ever ask him to get any Bayou resolution?

A No, because I am thinking the fee

Nichols

protection agreement for myself, so why would I --
I thought they were his funds, so why would I need
that?

Q Did you ever ask for any Bayou board
resolution for any project?

A Not to my memory because there would
be no reason for it. He gave me his specific --
he gave me a fee protection agreement signed by
himself. I will pay you five percent of my
profits, which he couldn't have obviously done if
they were Bayou funds. Bayou would have to pay me
five percent.

Q Have you ever heard of Paul Millus?

A Millus? No.

Q Have you ever heard of the law firm,
Snitow, Kanfer, Holtzer & Millus?

A Is it in this paper or something?
No.

Q It's your understanding that the \$10
million that you received was not a loan, correct?

A Understanding in it was not a loan.
It was payment for what I did.

Q Towards the middle of this exhibit
there is a sentence that reads, "The collateral

Nichols

consists of a" -- "the collateral consists of a private item owned outright by Mr. Nichols which he chooses not to sell on the open market which he has turned over to Mr. Israel."

Do you have any idea what that refers to?

MR. BAINTON: Objection.

You can answer.

A It's ridiculous. It has no -- it has no meaning to me whatsoever. It has nothing to do with my agreement with him.

Q Did you ever have a private item that you chose not to sell on the open market and gave to Israel?

A Not that I am aware of.

Q Prior to agreeing to work on the treasury box project, did you have any prior experience with similar projects?

A You mean specifically treasury box things of that nature, currency?

Q Here, I am a going to show you a document that's going to be Government Exhibit 6.

(A document entitled Verified
Petition was marked as Government

Nichols

Exhibit No. 6 for identification, as
of this date.)

Q This is a -- well, have you seen
this document before?

A No.

Q Is it at all familiar to you?

A I can't read that fast.

Q Do you recognize the document?

A I recognize some of the text of the
document from that Inspector Anis or whatever he
is in London or Constable Anis. I mean, these
were the kind of words. I don't know if
specifically that's it.

Q Can you refer to page 5? There is a
signature line on page 5 of this document --

A I'm on page 2, so you can't say that
I read the other ones in between.

Q Oh, I don't at all intend to imply
that.

A Of course, you can say it. Sorry
about that. Page 5, I'm there.

MR. BAINTON: I think he
really wants you to be on page 6.

MR. ANBINDER: No, I want to

Nichols

start on 5.

Q Did you recognize the name on that signature line?

A Yes, I do, J. Joseph Bainton.

Q Is that who you were just referring to, the counsel table?

A You mean in London -- Joe is my attorney.

Q Did Joe ever show you this document?

A No. I received -- do you want me to clarify this or is that allowed?

Q I just want you to answer the question. Did Joe ever show you this document?

A Not to my memory. He may have, but I don't recall seeing this from Joe.

Q Can you be -- could you look at page 6?

A I'm not saying he didn't. I'm saying I don't remember. Okay, then I've seen it.

Q Just to be clear, this document reads, "I have read the foregoing Petition for Adjudication of Interest pursuant to 21 U.S.C., Section 853N and know the contents thereof and the same are true to my own knowledge, except as to

Nichols

the matters therein stated to the alleged upon
information and belief and as to those matters I
believe it to be true."

Is that statement correct?

A Am I saying this part here I'm
saying is true, is that what I'm saying now?

Q That's my question to you. When
you --

A So you're saying that I have already
read this in the past and I signed this and said
it was true.

Q I'm asking you whether that's the
case.

A Well, if I signed it, I obviously
believed it to be true, if these are the same
documents that I'm signing about unless you
changed the paperwork or something.

MR. BAINTON: I'm sure he
hasn't done that.

THE WITNESS: But, I mean, you
know, so you gave me these and I read
them and I signed them? Okay, well it
simplifies it.

Q Let's look at paragraph 10 --

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1 actually, let's start with paragraph 9. Do you
2 see a reference in paragraph 9 to, "the project"?

3 MR. BAINTON: He's not at
4 paragraph 9 yet. Give him a second.

5 THE WITNESS: You have to be
6 patient with older people.

7 A In paragraph 9, I'm there.

8 Q Do you see a reference to paragraph
9 9 to the project? It's in parentheses at the end
10 of the paragraph?

11 A The project, yes.

12 Q Right before that it says,
13 "financial instruments that Israel believed to be
14 bona fide obligations of the Department of
15 Treasury of the United States of America," do you
16 see that?

17 A That he believed to be bona fide
18 obligations -- yes, I do.

19 Q Is that what you have been referring
20 to as the treasury box project?

21 A Right, which he said to me that's
22 what they were.

23 Q Now, in paragraph 10 it says that,
24 "Mr. Nichols's prior experience with the specifics
25

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of the project and his acquaintance with individuals associated with the government and with other individuals associated with governments of other nations made him specially qualified to undertake the project whose scope contemplated among other things Mr. Nichols's contact with representatives of foreign governments with whom he was personally acquainted."

A That's true. I mean, that's what it says. It's correct.

Q And is the statement true?

A I believe so, yes.

Q What was your prior experience with the specifics of the project?

A Tansri Teong, the party that I referenced before, had met with General Ritchie of the NSA and discussed this matter at his home in London. That was related to me by him and a woman named Margaret Laughlin or Lawton, I can't remember, who was also a national security operative with a company called Hartford Holding or whatever the NSA was using at the time.

I also heard -- despite the conversation with General Ritchie, I also heard

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2 this from going back in the past with Lord Roger
3 Keeseey, Member of Parliament, and I also heard it
4 from an MI5 person. I can't remember his last
5 name, but I think it was Chrissy. I can't recall
6 it now. I can think about it, but we don't have
7 time for that.

8 MR. ANBINDER: Actually, we do
9 have time for that. We probably
10 should have wrap-up here because there
11 is a meeting that's going to be
12 starting in this room in a few
13 minutes --

14 THE WITNESS: But we're here
15 first.

16 MR. ANBINDER: It's true.
17 Nevertheless, we probably should take
18 our lunch break now.

19 THE VIDEOGRAPHER: The time is
20 now 12:26. This marks the end of Tape
21 Two. We're now off the record.
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Nichols

A F T E R N O O N S E S S I O N

December 16, 2008.

2:18 o'clock p.m.

THE TRIAL OFFICER: The time
is now 2:18. We're back on the
record. This marks the beginning of
Tape Three.

R O B E R T B . N I C H O L S , resumed and
testified further as follows:

BY MR. ALBERTS:

Q You previously mentioned that in
some occasions when you received payments from
people who told you that they were associated with
intelligence services you would sign receipts; is
that correct?

A I've signed receipts, correct.

Q Were those receipts --

A Seldom, but I have.

Q Those receipts were for cash
payments to you?

A It just said received X amount,
asking very simple, just signed.

Q Did those receipts confirm that you
were being paid an amount of cash?

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A It was just received X cash, X amount of cash, that's all it said. I didn't pay any attention to it; I just signed it. I couldn't tell you the text of the receipt or anything.

Q Were you signing it to confirm that you had received payment from these individuals?

A I believe so. Just on a few occasions I was asked, would you please sign this.

Q Did you sign in your real name or a code name?

A I signed my name.

Q Your real name?

A To my memory, in my name.

Q Did you ever sign a receipt in any of the code names that you gave me earlier?

A I can't be sure. I don't think so, but I can't be sure.

Q You don't think that you ever signed Mongoose?

A I can't be sure.

Q Did you ever sign any other documents that you received from these people that were associated with government intelligence?

A I signed -- I can remember an

Nichols

occasion or two I signed documents, yes.

Q What kind of documents?

A In my opinion, it was -- said confidentiality or secrecy, document that I signed when I met with someone.

Q Who was that?

A Veronica Ferguson.

Q Did you ever meet with anybody else who gave you documents that you signed that was from one of these government intelligence agencies?

A I probably but I don't recall specifically signing documents with Andy Klemmer when he was -- Andy Klemmer, I believe.

Q How do you spell Andy Klemmer?

A Andy, Klemmer, K-L-E-M-M-E-R, I think.

Q Did you ever stay at Israel's home?

A Yes, I did.

Q For how long did you stay at his home?

A I would have to estimate it.

Q What is your estimate?

A Six -- six weeks, something like

Nichols

that.

Q Would you characterize your relationship with Israel as a close relationship at that time?

A That's difficult for me to answer. A close relationship? I didn't know him long enough, what I would call a close relationship. I didn't -- I thought he was just basically, you know, a wealthy guy who wanted to, you know, achieve an objective. I didn't look at him as a friend, if that's what you're saying, or someone that I would go have a beer with.

Q Was it unusual for you to stay for six weeks with a business associate --

A Yes.

Q -- who is not your friend?

A Very.

Q Why did you do so?

A He asked me to and I -- I know I shouldn't add on. I said to him after meeting with John Ellis that I would like to move on as soon as possible, as soon as Ellis and he had worked out their -- you know, what they wanted to do or what he wanted to do.

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Q What were you doing during that six weeks? Were you doing anything for Israel?

A Not anything other than giving -- making a comment or giving an opinion. I think I witnessed his signature on documents once or twice or something. He said could you sign here and witness for me, things that weren't related to me or something like that but, I mean, nothing of business. It was just, I was there waiting for him to wait for John Ellis's reply or his input on what we were discussing.

Q Why did you wait in his house? Why not wait at your house?

A He asked me to wait at his house and I was returning to London. If I was going to proceed with this, I had to go back to London, so to fly to Honolulu, then fly back, I just thought I'd wait there. And it wasn't set out that this would be six weeks. It just ended up at something like that.

Q Was your wife staying at his house as well?

A Say again?

Q Was your wife staying at Israel's

Nichols

home as well?

A She was with me.

Q During that entire six-week period?

A Yes, she was.

Q And was she doing anything for
Israel?

A Nothing I can think of.

Q Did she ever provide any services to
Israel?

A Nothing that I can recall. I mean,
services -- you mean, she was retained to do
something?

Q Did she ever engage in any business
dealings on his behalf?

A No, not -- no, I mean, when you say
did she do something for Israel, did she make him
a sandwich or something? Yeah, she could have
done that, but did she review documents for him or
something, no, she didn't do that, so I don't know
how -- precisely how to answer that.

Q But you understand that she did not
engage in any business dealings on his behalf?

A As I understand business, business
being business, you know, doing something for

Nichols

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2 compensation, no, I don't believe she did
3 anything.

4 Q Did she ever do anything to further
5 the treasury box project that you have discussed?

6 A No.

7 Q You mentioned a humanitarian
8 coalition; is that right?

9 A The Humanitarian Aid Coalition,
10 something like that, HC -- Humanitarian -- yeah,
11 HCAF, I think.

12 Q Did she ever do anything in
13 connection with HCAF?

14 A Well, she very much promoted that --
15 when I said promoted it, she was impressed with
16 some of the research they had done on AIDS cases
17 in Ghana and the First Lady of Ghana had written,
18 you know, how it had helped so many people that
19 were in very critical or dire circumstances, you
20 know, one of the products. I forget what it was,
21 some zinc drop or something and she thought that
22 this was a good thing, so --

23 Q Other than being impressed by them,
24 did she have any dealings with them?

25 A With HCAF?

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Q Right.

A Oh, I'm sure she knew Steven Hickock, yeah, I'm sure she did. The SARS epidemic problem in Asia at the time and they thought this could be helpful, some of the product, you know, for the SARS epidemic, and they wanted to do some testing on that.

Q Did she ever have any business dealings with HCAF?

A Business dealings again meaning did she receive compensation from HCAF?

Q I will ask another question. Did she ever sign any documents that relate to HCAF?

A She could have, if it was something like Hickock asked her could you sign this or witness this or write a letter for me, yeah, she could have. I can't say she didn't.

Q How about you did you ever sign documents that related to HCAF?

A I probably signed something on the beneficial stewardship agreement because that was my compensation.

Q How do you mean that was your compensation?

Nichols

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2 A If Samuel Israel proceeded to invest
3 his funds or enter some program that he found --
4 the investment opportunity that he found to be
5 lucrative, I guess you would say, my protection
6 from him came from a beneficial stewardship
7 agreement that was an HCF agreement, not Samuel
8 Israel.

9 Q I don't understand what you mean by
10 your protection from him, protection from what?

11 A I mean, commission or compensation.

12 Q So Israel would pay you a commission
13 sometimes?

14 A He never paid me a commission, but
15 if he would have been obliged to pay me a
16 commission should he have proceeded with an HCF
17 relationship at Barclay or Postbank.

18 Q What would he have been paying you a
19 commission for?

20 A Because I had introduced him to
21 Steven Hickock at his request. He said, I will
22 pay you a commission of -- I believe it was
23 five percent of the profits I make from this
24 relationship should I deem it or should I decide
25 that this is something that would be in my best

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interest.

MR. BAINTON: Jeff, excuse me for interrupting, but these documents, the witness is talking about discrete documents that we have produced. I don't know if you are aware of that or not, but there are writing, when he is talking about an agreement, he is talking about a writing and we have produced it. I just interrupted to let you know that if you didn't already.

Q Let's go back to the treasury box project. What did you first do to acquire the treasury box after you were retained by Israel?

MR. BAINTON: Objection.

You can answer.

Q Withdrawn. Just to be clear, were you retained by Israel to acquire the treasury box?

A It was one of four things he retained me for.

Q Okay. Did you make efforts to accomplish those four things?

Nichols

A Yes, I did. I complied. I accomplished all four things.

Q What was the first effort you made to accomplish those four things?

A I met with Wilhelm Teekman, a party in Germany, that represented or had access and was retained by the chinese government, I will say, or quasi-government to see if he would allow me access to the security vaults in Switzerland to the currency and would be receptive to negotiations for settlement with the correct U.S. government officials on that currency or on those notes.

Q How did you know that there was something in a currency vault in Switzerland?

A How did I know? I knew from various parties, bankers and other individuals I had known for quite some time.

Q Who?

A I'm trying to think sequentially as to how I remembered it -- I mean, who mentioned it first. It would have been -- I believe the first party that mentioned it to me that they were held in Switzerland and they were legitimate was a man

Nichols

named Herbert Bost.

Q Who is Herbert Bost?

A I believe he was navel intelligence, U.S., retired.

Q When did Herbert Bost tell you this?

A Probably two or three years before, maybe five years before. I can't be sure as to the date he told me.

Q Why did he tell you that?

A He at the time felt that if certain things could be -- those instruments could be negotiated and those funds could be used for efforts that would be in the national interest and he outlined one or two things that he was -- objectives he was undertaking or efforts he was involved in with the Congo, a president in Nigeria that was non-military, those were the efforts.

Q So your understanding was Herbert Bost was going to try to sell the currency that was in the vault in Switzerland and then use the money he got from that to fund efforts in the Congo; is that right?

A No.

Q Could you explain, then, what

Nichols

Herbert Bost told you --

A You asked me where I heard about the notes and I said Herbert Bost. And then I said he had particular objectives that he wanted to pursue, if that could be accomplished. Those were two that I knew he was working on if they were related I don't know, those notes, to that.

Q Oh, I had asked you why he had told you that. Do you know why he told you about these treasury boxes in Switzerland?

A He asked me if I had an approach that I thought may work to -- you know, to work this out with certain parties in government and he wanted me to use avenues through Switzerland that had relationships with the United States in the more -- in more trusted areas or confidential areas of communication, I guess.

Q And what did you tell him?

A I told him I did not want to be involved in it at the time.

Q Why not?

A Because I didn't.

Q Why didn't you want to?

A I believe I was involved in

Nichols

something else that was more important that was coming up at the time.

Q What were you involved in that was more important?

A Rick Mangeri.

Q Could you expand on that?

A Rick Mangeri, I was advised, had removed on the key over \$892 billion from the United States department of defense funds and they wanted to recover it.

Q Did you say \$892 billion?

A Something about like that.

Q And you were retained to deal with that?

A Yes.

Q Did you deal with it?

A I spent over a year and a half with Mr. Mangeri trying to recoup the funds.

Q And did you recoup them?

A I don't know how much I recouped, if any. He -- that was not what I was tasked to do. I was tasked to sit with Mangeri, discuss it with Mangeri, see if it could be worked out.

There was an NSA agent named

Nichols

1 Margaret Laughlin that I mentioned before. She
2 told me if I could work it out, she would
3 compensate me \$1 million. And I did my best to
4 work out something with him on it because he had
5 transferred it to multiple locations under the
6 name of Euro Capital all over the world. And I
7 had access to the list, the locations in the
8 accounts which were given to me and the NSA, I was
9 told. I don't have access to their database at
10 Mead, but I was told, wanted it recovered under
11 the title of Euro Capital.
12

13 Q But you don't know whether any of
14 the \$892 billion was recovered?

15 A When I said 892, I mean it was
16 890-something, the figure I was given. Might have
17 been a little more, but it was significant. And
18 the funds were to be used for projects were
19 important to U.S. -- United States.

20 Q Were you ever paid by Margaret
21 Laughlin?

22 A I was paid funds by Margaret
23 Laughlin to continue the effort.

24 Q How much were you paid by Margaret
25 Laughlin?

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A I don't know.

Q Was it more than a hundred thousand dollars?

A It could have been. It was --

Q You mentioned she was going to pay you a million dollars if you could successfully obtain this money; is that correct?

A That's correct. And she put that in writing.

Q Oh, do you have that writing?

A No, I don't.

Q What did you do with it?

A It's in a file probably in Europe. When I run across it, I will forward it to you, but she did put it in writing.

Q Do you happen to have in your possession any writings that anybody associated with government intelligence has ever written you at any point during your life?

A In my possession?

Q Yes.

A No.

Q How about in your custody?

A No.

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Q In your control?

A I am unable to answer that. I would have to speak with people and they know I'm in this situation and I don't know what -- what their response would be for my request for documents for files, so I am unable to answer the question.

Q Where are the files located?

A Various locations, Switzerland, Austria.

Q Anywhere else?

A Probably Vietnam, Monaco, France. That's all I can think of at the moment.

Q Where in Vietnam do you have files located?

MR. BAINTON: Objection.

A There are parties in Vietnam that I know that I consider friends that have files that they hold for me. I don't know what the files consist of. I'd have to go and look through them and the location would be Dudok or Saigon somewhere, maybe Metow, I don't know.

Q Do you personally have files in any other locations that you mentioned?

A When you say me personally, meaning

Nichols

do I have ownership of them or am I referenced in them or do I have access in them or do they reference this business? I don't understand specifically what you mean.

Q Just to be clear, are there files that are in your direct control in any of these locations that contain documents that you received from what you understood to be government intelligence?

A Direct control, no.

Q Are they all in the control of other people?

A That's correct.

Q Is it fair to say you personally haven't retained any documents that were given to you by government intelligence at any point during your life?

A Personally am I holding these documents? The answer to my knowledge is no. Personally am I holding documents? Are there files? Extensive ones, but I am not holding them.

Q Are any of these files located on any of your residences?

A No.

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Q Any of the properties in Australia that you own?

A No.

Q When did you meet for the first time with Wilhelm Teekman?

A I can't be sure when I first met him. I had spoken to him several times and I believe I met him probably in 2003, but I met several people at the time that were surrounding the same type of business and I forget their names.

Q When did you first meet with him in connection with the treasury box project?

A The following day after meeting Sam Israel he flew from Germany and met me in London.

Q How did you contact him?

A The telephone.

Q How did you have his number?

A I believe I had asked someone for the number that knew -- knew how to reach him, someone I knew, but I don't recall who that was. I would have to think about it.

Q When had you asked that person for Teekman's phone number?

Nichols

A I believe when Sam Israel asked me if I could locate the Swiss vaults that held this currency.

Q So Israel knew that the currency was in Swiss vaults?

A Yes, he knew -- he didn't know -- he didn't know it was in Switzerland. He knew that it was held somewhere in Europe and I don't believe he knew it was in Switzerland.

Q How long did you meet with Teekman that first time after you met with Israel?

A How long did I meet with him?

Q Yes.

A I'm gonna have to estimate this. I can't say something like 53 minutes and four seconds. I have to say approximately an hour, hour and a half, something like that. When you say how long, I can't just help you understand that.

Q Just answer to the best of your recollection.

A Right. Well, I'd say probably an hour, hour and a half.

Q Did you learn anything during that

Nichols

conversation about the location of the treasury box?

A I was asked if this was a serious situation.

Teekman said that he would clear me to go into the vaults and look at the currency.

Q What did you tell him?

A That wasn't the box. This is the currency.

Q "This is the currency." When you say "the currency," are you referring to the silver certificates?

A That's correct and Federal Reserve notes also, but mainly the silver certificates, I believe. Both of them are in two -- you know, in the same facility.

Q Both silver certificates and the Federal Reserve notes?

A This particular -- this particular group of -- that we're referring to are in one facility, yes.

Q Did Teekman tell you the value, the face value, of the Federal Reserve notes?

A Yes, he did.

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Q What was the face value?

A One million dollars.

Q And that's per note?

A Per note.

Q What kind of notes were those?

A They were silver certificates. You have a copy of them, I believe, the ones I gave -- the copies I gave Israel and the Federal Reserve notes, you have a copy of that. And then there is a very large history and all that they would not provide until they met with the correct U.S. government officials to speak. In other words, the heritage.

Q When Teekman asked you whether this was serious, how did you respond?

A I said, I am just looking into it. I'm told it is, but I under -- no way would underwrite to tell you it. I will ask you or come back to you at a later date, if I feel it's serious.

Q And did you go back to him?

A After the New York trip.

Q After the meeting with Teekman, what was the next step you took towards accomplishing

Nichols

1 the -- I guess the treasury instrument project
2 that had the four components you laid out before?

3 A When I finished speaking with
4 Teekman, Teekman said, if you feel this is
5 serious, his firm, law firm said that they would
6 like me to -- I said I'd contact him through the
7 firm and that we would meet and set up a meeting
8 with the correct U.S. officials and obtain clear
9 answers for them to come into Switzerland and to
10 view the currency.
11

12 So your question was, what was the
13 next step or whatever. That was the next step.
14 So I said, I will let you know what I think about
15 this after I travel.

16 Q You mentioned Teekman had a company
17 that he worked for. What was the name of the
18 company?

19 A I said that he had a law firm that
20 represented him.

21 Q Oh, did he work for a company?

22 A I didn't ask and don't know the
23 answer to that.

24 Q What made you think that he knew
25 anything about the Swiss vaults?

Nichols

A I do not remember who briefed me on it, but someone told me that he did. The Chinese trusted him. He was at one time very helpful to them with Volkswagen. I believe he was connected, you know, in efforts inside China and that they had trusted him to handle this business for them in Switzerland is one aspect of their business.

Q But you don't remember who told you that?

A Not at this moment.

Q Did you make any agreement with Teekman during that first meeting, sign any papers?

A No.

Q Receive any papers?

A The only paper I received from him was a general history, two or three-page which was a translation from some Chinese -- Chinese explanation of the history, but it was described to me as only being the embryonic or genesis of a very in-depth heritage.

Q And this is a history of the silver certificate and Federal Reserve notes?

A That's correct.

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Q Have you given that to your counsel to produce to us, that two to three-page history?

A I don't believe so.

Q Do you know where it is?

A It's in Europe, I believe.

Q Do you know where in Europe?

A Not off -- not specifically do not know.

Q Can you narrow it down to a country?

A I would say it's in Switzerland or London.

Q Who has it; if you know?

A I would imagine the law firm that represents Teekman.

Q You said that Teekman gave it to you, correct?

A Right.

Q Did you give it back to Teekman?

A I'm saying that because that's where you could obtain it, if you want to pursue it. I'm saying the one that he gave me, I can't say it's in any other location, in probably Switzerland, possibly London. It's a -- and I might have -- it wasn't important to me the

Nichols

document, so the whole heritage, the whole history is important to me, but a three-page synopsis was not important to me, so I do not know where I put it, to be honest with you. I would say in London somewhere, possibly in Zurich.

Q Did you ever get the whole history?

A I had access to it. I didn't want to travel with them.

Q Did you obtain it?

A No.

Q If it was important to you and you had access to it, why didn't you obtain it?

A Because I consider it sensitive and I do not want to travel with that type of document, that type of material.

Q Sensitive to whom?

A I would say I imagine it would be sensitive in my own personal view to the United States government, if there is something to it.

Q Why would it be sensitive to the United States government?

A Well, it's my understanding that the United States says that they have never printed a bill over \$10,000 -- you know, denomination of

Nichols

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2 over \$10,000. I've had two experts tell me, one
3 named Michael Cleverly of Amarok Security, his
4 experts tell me that the currency was legitimate,
5 including the fibers, the ink and the paper. And
6 then I go to the -- one other party that saw one
7 of the bills, the bill that we called an etching
8 that I provided Sam Israel, and that was Ingo
9 Passoth at Postbank and Sam Israel gave him that
10 bill and he verified it as authentic U.S.
11 currency.

12 Q You gave Israel one of these \$100
13 million notes?

14 A I called it an etching. He asked
15 for it and I gave it to him. Came from Teekman.

16 Q Was it an actual note?

17 A It was an actual note.

18 Q And it was your understanding it was
19 worth a million dollars?

20 A No, I never said what it was worth.
21 I said this to me is an etching. Here it is.
22 This is what you asked for.

23 Q An etching?

24 A I don't call it currency because I
25 don't know. I said it's an etching. Those were

Nichols

the words and those were the words that were on the documents. And I call it -- it's just my word for it.

Then he had -- he had the bank tell him it was currency. Then he had -- then Amaro Security had their expert, which I do not know who it was, come back and say it is currency, but I did not call it currency because that was not my position. I called it an etching.

Q Did you believe it was currency?

A Personally?

Q Yeah.

A Yes. The silver certificates, yes.

Q When you say "silver certificates," are you referring to the \$1 million denominated bills?

A Correct.

Q When did you obtain -- just to be clear, when you say "etching," you are not referring to like a photocopy or --

A No.

Q You're referring to the actual -- in your mind at that time original currency, you weren't sure whether it was currency, but you

Nichols

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2 thought it was -- you thought it was the original?

3 A An original etching, that's what I
4 called it and that's what it is to me, an etching.
5 The bank called it currency. The experts called
6 it currency. I said to me it's an etching. I
7 will not call it currency because my government
8 states they never printed a bill over \$10,000.

9 Q I see. So at that time when you
10 first obtained the \$1 million note you knew that
11 the U.S. government was saying that they didn't
12 have anything over \$10,000?

13 A I know that's their story.

14 Q Did you know that at the time?

15 A Yes, I did.

16 Q When did you first learn that the
17 government's story was there was nothing over --
18 that there were no notes over \$10,000?

19 A I had heard that many times, you
20 know, deniability on notes over \$10,000 on Federal
21 Reserve notes, on -- the what do you call the
22 boxes, you know, the treasury boxes, the gold
23 certificates, these stories for many, many years.

24 Q So you knew at that time that the
25 government was saying -- that the United States

Nichols

government was saying that the box wasn't legitimate and that the bonds weren't legitimate; is that correct?

A I knew that the United States government said they did not print currency over \$10,000, a note or, you know, denomination over \$10,000. I told that to Samuel Israel. I told him that the United States government says there is nothing to this. Therefore, I am saying I can not in any way state there is any value to this, one dollar, I said, period, to me.

He said, this is not your affair. I want the box. I want photocopies of the currency and if you could get me one bill, that's what I want.

Q And how did you first obtain the bill?

A Wilhelm Teekman brought it, took it out of the security vault in Switzerland and brought it to me and said, here is your etching.

Q You mentioned that you had a meeting with Teekman the day after you first met with Israel and then you just mentioned seeing Teekman again, I guess, near the Swiss vaults; is that

Nichols

correct?

A I didn't go. I said I was asked to go and I did not go. I was asked if I wanted to go to the vaults and look at all the material in the vaults. I said no.

Q So what was the next step that you took in the treasury instrument project with the four components after you first met with Teekman?

A I said to Samuel Israel when he offered me the ten to accomplish this -- the things that we had previously discussed, the four things that I would not consider it unless I met John Ellis because I explained to him I had been told repeatedly many times by various people that these matters could only be handled at the highest level of government, not anywhere because there are clear answers involved and these clear answers it must be above the things that he would normally walk into.

And so he said to me that John Ellis had that particular relationship and he would introduce him to me so that they could proceed, but I was not to mention to John Ellis the money he was paying and that John Ellis and he would

Nichols

proceed on this business. That's -- that's it.

Q You said that you told him you wouldn't proceed unless you spoke to John Ellis. Did you know the name John Ellis at that time?

A When he said John Ellis, the cousin of the President of the United States, I knew the name, but that's the first time that I gave it any thought. I knew his name was John Ellis from, you know, the election in Florida or something but, I mean, I had no knowledge -- nothing else about him. I had no information with him other than that.

Q So when you had the conversation with Israel about Ellis he was the first person to mention Ellis's name?

A Oh, absolutely. You mean, in London when I met Israel?

Q Yes.

A Of course. I didn't know he knew Ellis. As I said, Ellis I knew from, you know, Michael Moore movie, story or something. I didn't know Israel had anything to do with him.

Q So what was the next step that you took in the treasury instrument project after he

Nichols

mentioned that he knew somebody named Ellis?

A As I said, I told him I would want to see Ellis before I would except the -- you know, proceed with the agreement or entertain the agreement or take any money for the agreement, I wanted to see Ellis.

And he said, it will -- you know, in a month or two come to my home and you will see him and you can speak to him on the phone right now.

And I said there is no sense in me speaking to him, but I would like to see the man for myself.

And he said, fine, no problem.

Q And did you later see John Ellis?

A Yes. I said I wanted to work out the agreement, very general. He said that the agreement, financial consulting agreement, beforehand because I don't want something to change when we get to New York. If you want me to meet Ellis, I don't want there to be a misunderstanding of what we've discussed.

And he said, fine.

And so then we -- a couple of months

Nichols

or a month went by or something, I went to New York with my wife and within a few days he introduced me to John Ellis in his home.

Q In between that conversation and your meeting with John Ellis, did you work at all on the treasury instrument project?

A Oh, I wanted to see if I could -- I talked with Teekman several times and I said if the right parties from the U.S. government are involved, can we clear them into the vaults meaning you -- can you -- do you have full authority to negotiate redemption of these and settlement on these notes and I went through all that and he said, absolutely.

Q Other than that did you do anything in between the time that you initially met with Israel and the time when you met in person with Ellis?

A I also spoke multiple times or quite a few times with the Chinese and I told them that I was looking into the possibility of having their matter revolved one way or the other. I said, you asked me if it could be -- if it was possible to get this particular box or obligation as a

Nichols

demonstration of your good faith to a high level in government and there is that possibility now. And I didn't mention it was John Ellis and I didn't mention that. I just said there is a possibility now and I will keep you informed and move ahead with that. And that's what I did because they want to settle multiple things.

Q Who is "they"? When you say spoke with the Chinese, "they," who are they?

A The Maiwah family which are the lineage and the offspring of Chiang Kai-shek. Their position is in Luxembourg in Europe and it's called Mayflower and they are a prominent, prominent entity.

Q The family is a prominent entity?

A Yes. To me it would be just my personal feeling highly unlikely that they would build a little fake box that says a hundred million dollars on it. That's just a personal thing.

Q Who would you speak with -- you said you spoke with the Chinese and the members of the Mahoo family --

A Maiwah.

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Q -- Maiwah family. What are the names of the people with whom you spoke?

A Can't pronounce them. I'd have to look them up.

Q Are there any documents --

A Tansri Teong was one of them. Wei was another one. I only know portions of names because I just called them short names.

Q You would call them Wai?

A Wei.

Q W-a-i?

A Yeah, W-e-i.

Q Is that the first or last name?

A And there were military -- couple of military people with them, Chinese military, when I met with them. I forget their names.

Q How did you get the phone numbers of these people?

A That's what I do. I called someone who provided the number for me.

Q Who did you call?

A Someone in Switzerland and I can't recall who that was right now. I will work on that also because it was just something at the

Nichols

time I was trying to work out, so I will -- I will certainly work on it for you, though.

Q So you called someone in Switzerland and they gave you the phone number of someone in the Maiwah family; is that correct?

A It would be in Switzerland, yes, and they would give them Maiwah. Also Tansri Teong, the man I also mentioned before, with contacts with that family.

Q Was Tansri Teong in that family?

A He is not a part of the family, but he is a person, a liaison officer, a person who facilitates objectives for them.

Q How did you get his phone number?

A How did I get his phone number? I think it went back -- if I go back to probably during the Mangeri time and if I went back before that it would probably be another matter somewhere in Taiwan, or Vietnam or Asia that I was involved in. I knew his name for quite some time, so I can't say specifically at which time I got his number, but it would be something related to something in the past in dealing with --

Q How far in the past?

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A Maybe ten years, maybe five.

Q Five years before what?

A Before Israel.

Q How did you have dealings with him
five years before Israel?

A I don't know if I had dealings with
him. I think I had met him and spoken with him.

Q In what context did you meet him?

A Possibly a dinner.

Q Why did you meet him at dinner?

A Maybe I was hungry. I don't know
how to respond to that. We both wanted dinner at
the same time and had something at the time that
was of common interest.

Q What was of common interest?

A We both smoke.

Q So he is somebody who you just
happened to bump into in a restaurant somewhere
because you smoked?

A No. He was someone introduced to
me.

Q Who introduced you to him?

A I can't be sure. If I were to
guess, though -- would you like me to guess?

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Q Just give me your best recollection
if you do recall --

A Well, it's a guess.

Q You don't recall who introduced you
to him?

A I would say if I were to guess it
was a judge in Singapore that was a friend of his
and I met a couple of times, but that is a guess.
I can only think the possibility two of us at the
same time and were in the same area and we both
wanted to eat.

Q So once you received the phone
number of people in the Maiwah family, who was the
first person you called in the Maiwah family?

A The first party that I called that
represented them was Angelina Wei.

Q And what did you say to Angelina
Wei?

A I said there is a possibility of
having your objective investigated at the right
level.

Q Did she have any idea what you meant
by that?

A I couldn't hear you.

Nichols

Q Did she have any idea what you meant by that?

A Yes, she did.

Q How did she know what you were talking about?

A Because she wanted to resolve or see if it could be revolved the matter of these treasury notes and she asked me to fly to Taiwan and meet with the main members of the family. And I said, I don't feel that's appropriate at this time until -- until we see the response from the parties I'm dealing with. I'm referring to Mr. Israel and Mr. Ellis because Mr. Ellis could have easily said, this is nonsense, so why go any further with it.

Q Did you have any further contact with the Maiwah family before you met with Mr. Ellis other than the conversation you just mentioned?

A Through other parties, not directly I've had other parties, couriers and things of this nature contact me and ask me, you know, how I'm doing, what's taking place and things of that nature. I don't know their names.

Nichols

Q That was during the period between you being first retained by Israel and first meeting with John Ellis?

MR. BAINTON: Objection.

A Between first meeting with Israel and first meeting -- there was -- I didn't speak to them during that period.

Q So during that period in between where you first met with Israel and you first met with John Ellis did you have any conversation direct or indirect with Maiwah family other than speaking to Angelina Wei?

A I don't believe I did, but I can't be absolutely certain. I mean, a phone call could have taken place. They could have called, I could have called, but I don't recall anything during that period.

Q Could you describe your meeting with John Ellis?

MR. BAINTON: Which one?

MR. ALBERTS: Sure, I'll be more specific.

Q The first time that you met John Ellis in person, where did you meet him?

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A I met him at Sam Israel's house.

Q When was that?

A In his -- I mean, the adjoining part
of his house.

Q When was that?

A 6/9/2004, or approximately that day.

Q Why do you remember that date
specifically?

A I can't tell you that.

Q What happened at the meeting? Did
you learn anything? Let me rephrase the question.

Did John Ellis tell you anything
that related to your treasury instrument project
during that meeting on 6/9/2004?

A It was discussed. It was discussed.
Did he tell me anything? It was discussed. I
don't know -- I don't understand your question,
did he tell me anything. Could you rephrase it or
something?

Q I'm not sure I can. Did he tell you
anything that related to your treasury instrument
project?

A I think the word tell is my problem.
Did he comment on it would be -- can we say that?

Nichols

Did he comment on the project?

Q That's a different question but, sure, what's the answer to that question, yes?

A He commented on it, yes.

Q What comments did he make?

A That he would like to take some material and investigate it, and I provided it to him.

Q What material did you give him?

A At Sam Israel's direction, I gave him a three-and-a-half inch floppy that had to -- well, I believe it had photographs of the silver certificate, possibly an FR -- a Federal Reserve note. It had a picture that the Chinese had given me of a team of -- that they said were treasury agents that had flown to China to try and negotiate this business, and I don't know what else. Possibly -- I don't think there was anything about the box on it. I think it was mainly the currency and maybe, maybe the box, I don't know, but he took this with him.

We discussed the box, we discussed that, and he had made -- and we discussed a little bit about Pakistan and what his cousin was going

Nichols

through with problems with Pakistan. And I said, you know, if I could assist you on that or something, let me know. That's all.

Q Where had you acquired the photos that you gave to John Ellis?

A From the Chinese, Angelina Wei, and they said that these people were treasury or whatever that came to discuss the box with them, to negotiate a settlement on it.

Q And when did Angelina Wei give you these documents?

MR. BAINTON: It was a disk.

Q When did she give you the disk containing documents?

A Probably a year -- six months before, something like that, before I had ever met Sam Israel.

Q Why had she sent it to you before you met Sam Israel?

A She gave it to me in person or he -- it could have been Teong or her that handed it to me or one of the military people. I don't know, but I left with the documents -- I mean, the photograph.

Nichols

Q And it was just coincidence that you had been given the CD before you met Sam Israel who asked you to try to find the very documents that were on the CD?

A I don't really believe in coincidence, but it seems that it was strange, strange -- it was very strange to me that he brought up this particular, you know topic, that I was familiar with.

Q Did you learn anything else from John Ellis that related to your treasury instrument project at that meeting on 6/9/2004?

A Learn? I didn't learn anything from John Ellis at the time.

Q Did you hear anything from John Ellis at that time that related to your treasury instrument project other than what we have already discussed?

A Did I hear something that I didn't already know? Is that the question?

Q No.

A Or did I just hear him talk about it?

MR. BAINTON: The question is,

Nichols

what did you hear him say? That's the question. What did you hear him say?

THE WITNESS: Oh, okay.

A He said that he was going to look into it with, you know, the proper authorities and he referenced a relationship, I believe, at the DOD, someone in the Defense Department, that was authorized to deal in this particular area or become involved or negotiate this particular area.

Now, I could be incorrect on that he might have said that in the second meeting, but he said it in one of the two.

Q Who at the DOD?

A Who is the DOD?

Q No, who at the DOD did he mention?

A He just said a colonel. He just said a colonel that was authorized for this particular type of business.

Q The type of business being --

A Meaning negotiate the settlement of these particular instruments.

Q When you spoke to him, did he appear to know anything already about the existence of instruments like this?

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A Yes.

Q What made you think that?

A He talked a little bit. He didn't just listen. Sam Israel did most of the talking, I made a comment or two. John Ellis made a comment or two. It didn't seem to me, just my opinion, that he had never heard of this before. He didn't ask what are we talking about, something of that nature.

Q Did he expressly say anything that indicated that he had heard of these kind of monetary instruments before?

A If it wasn't that meeting, as I just mentioned, it was a second one when he said that he had the person that would handle this was a -- I believe he said a colonel in the Defense Department.

Q Did he say anything else that suggested to you that he knew of this kind of financial instrument?

A I want you to clearly understand my confusion here. I don't know if -- he did, but I don't know if he said it the first time we met, the second time we met, the third time we met.

Nichols

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2 The second time we met, he talked about it quite a
3 bit, but he could have commented the first time we
4 met on it and I can't be certain if he -- which
5 time that he went into it.

6 Q Well, then, let's talk about the
7 second meeting. When did that take place?

8 A I don't know the date of that. It
9 was probably 20 -- it was quite a while, like
10 several weeks later. He had told Sam Israel that
11 he was doing some checking on it and coordinating
12 something or looking into it, but all he said to
13 me is I will -- I will discuss this with the
14 appropriate parties.

15 And I just said, fine, and it's not
16 my business.

17 And he and Sam Israel spoke a lot by
18 themselves and Sam Israel told me never to mention
19 the \$10 million to him and it was his business and
20 never to mention anything. And he was -- he was
21 in charge of, Sam Israel -- Sam Israel was and he
22 would be working with John Ellis on it. So I --
23 that was -- that was -- that was that.

24 Q At the second meeting, what if
25 anything did John Ellis say concerning the

Nichols

treasury instruments that you discussed at your first meeting with him?

A He said things to the effect that he had spoken to the correct parties and he and Sam could move ahead. I'm not saying specifically what he said. This is the way I interpreted it. And that they were comfortable with moving ahead, which is basically taking it out of my -- you know, if I could perform, taking it, you know, out of my particular area.

Q When you say you could "perform," what --

A Provide the four things because I would not take the money. I would not proceed until I -- John Ellis had had time to review the material, check with, you know, his cousin or whomever he was talking to and come back to Sam Israel and say this is a project that we're working on or whatever their relationship was, and Nichols is out of this, this is finished. If he does his job, he's out of it.

But, as I say very clearly, John Ellis at no time was the \$10 million mentioned around John Ellis, but John Ellis was very

Nichols

familiar with the project and I think as you move ahead here you know that.

Q So at the second meeting John Ellis told you that he had checked with somebody in the U.S. government and verified that the Chinese instruments were legitimate; is that correct?

A He said something to the effect that he had spoken with a colonel that had or someone in the DOD -- I remember Defense Department -- that had -- was sanctioned or had the clear answers to proceed with this and settle on it. And then it moves ahead. When you get to that point, then I will tell you what that was, so I'll wait.

Q Do you recall the name of the colonel?

A No.

Q What did you do after the second meeting to further the treasury instrument project that you were working on?

A Absolutely nothing. I was waiting to see what the results would be of this particular interaction with Mr. Ellis and Mr. Israel. Mr. Ellis could return and say this

Nichols

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2 is nonsense, this box is nonsense, these bills are
3 nonsense, the United States government never
4 printed a bill over \$10,000 and that would have
5 been the end of it.

6 Q Are you referring now doing
7 absolutely nothing between the first and second
8 meeting or after the first meeting with Ellis?

9 A I did absolutely nothing. To my
10 memory, I sat in Sam Israel's house and drove
11 around the children for the -- or whatever that
12 area is, Mount Kisco county side.

13 Q Again, are you referring to the
14 period between the first and second meeting with
15 Ellis or are you referring to a period after the
16 second meeting with Ellis?

17 A I am referring to the first and
18 second meeting an the second and third meeting
19 even maybe. It's just that I was waiting for Sam
20 Israel and John Ellis to come to some kind of
21 agreement of what they wanted to do. And that
22 would not be communicated to me by Mr. Ellis.
23 That would be communicated to me clearly by
24 Mr. Israel, so I did not want to sit there and
25 make, you know, any comment on what they were

Nichols

working on. I was just waiting to see what they had decided.

Q So you didn't receive the communication that you needed to move forward at the second meeting with Ellis?

A See, I can't insert something here because it's against your rules, but I'm saying at the second meeting they were continuing on; they were continuing discussions on the project. Then at a certain point Israel said everything to me is in order and now I want to proceed with the agreement.

And at that time, I had him sign when we -- you know, when we signed the thing we worked up, I told you the financial whatever in London, I typed something else with him and I said, let's work this out that you must contact the treasury or the United States, you know, officials from the United States because these matters are sensitive. And I said and you have read and understood this and he said, yes, and we signed that in a windowsill of his house because once he decided to go ahead I wanted to make sure that he understood it could be a sensitive matter.

Nichols

So if you're gonna discuss this, go talk to someone in the United States government. Don't just, you know --

Q But you didn't consider it part of your job to go talk to somebody N U.S. government; is that correct?

A Absolutely not.

Q Did you have a third meeting with Nichols before you entered into that agreement with Israel?

MR. BAINTON: You mean Ellis?

He's Nichols.

MR. ALBERTS: I'm sorry, allow me --

A I have occasional meetings with Nichols.

Q Did you have a third meeting with Ellis before you entered into that agreement that you just mentioned with Israel?

A I believe we did and I will just speed along here for you.

THE WITNESS: I'm sorry,

Martin.

A It was either at Ellis's office or

Nichols

at the house.

Q What if anything did you hear people say at that meeting that was related to your treasury instrument project?

A It's just that Sam Israel said to me everything is fine. John Ellis said -- I mean, whatever. He didn't tell me what he said. He said everything, he said to me, is in order and I want you to proceed with the project. Do we have an agreement? Do we have a deal?

I said, you want to pay that kind of money? You want to do it, I'll do it, that's it.

Q The agreement that you entered into, is that the same date as that third meeting with Ellis?

A It wasn't the same date. It was around the same date because once we signed the agreement I left the next day to London or I believe it was the next day. It was very shortly thereafter. I think it was the next day because I was proceeding with what my obligation was in the agreement.

Q Okay. Let me give you a document that will be Government's Exhibit 7. In fact, to

Nichols

be clear, this is a number of different documents.

(A multi-page document was
marked as Government Exhibit No. 7 for
identification, as of this date.)

Q Actually, could you give me that
back --

A Do I have to read it all?

Q No, you don't. I'm going to refer
you to a specific exhibit. I just thought it
would be more convenient to use that. I want to
specifically refer you to the document that
appears behind the tab with label Exhibit 1 across
the top of that page. It states, Financial and
Security Consultancy Agreement. If you keep
turning the page, there is a couple of more pages.
You will get to the tab Exhibit 1.

THE VIDEOGRAPHER: We've got
ten minutes of tape left.

A Yes.

Q Do you recognize that document?

A Yes.

Q What is it?

A I think it's a financial security
agreement that we signed.

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Q And on the second page do you see two signatures?

A Yes.

Q Do you recognize those signatures?

A I recognize mine and I assume it's Sam Israel's.

Q Do you see at the end of the last paragraph it says, "Executed this 11th day of July 2004 at Bedford, New York, U.S.A"?

A Yes.

Q Is that accurate?

A Yes.

Q Could you look at the first page and in particular I want to call your attention to the first line of the second full paragraph where it says, "Whereas Israel is desirous of entering into certain buy/sell relationships."?

A Right.

Q What is a buy/sell relationship?

A You buy something and you sell it. And in this particular case where he is interested in buying, I guess, the -- well, this particular thing buy/sell riches would be buying instruments of whatever MTNs -- whatever security, you know,

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and reselling them.

Q What is an MTN?

A A medium term note.

Q Can you explain to me what a medium term note is?

A I am using that as an example, but it would be a note, probably a ten-year note, from we'll say hypothetically a bank.

Q Did you on Mr. Israel's behalf help him buy any of these medium term notes?

A No.

Q Are you familiar with him having ever bought any medium term notes?

A I have documents that -- you know, that huge contract that he was going to buy medium term notes, but I don't know if he ever did anything, that he e-mailed me once that I had nothing to do with, but he e-mailed me a contract concerning MTNs.

Q You never signed any contracts that concerned MTNs?

A Not to my memory, unless it was witnessing a signature, but not as a principal or party of it.

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Q You earlier mentioned HCAF and how you might get a commission through the HCAF?

A Correct.

Q Did the commission in any way relate to MTNs?

A You mean would I be paid in MTNs?

Q I mean the commission that you were going to receive, did that in any way relate to the purchase of MTNs through HCAF?

A I don't know the mechanics of it, but I would say it probably -- well, from my limited knowledge of how those -- that particular thing works on a buy/sell agreement that MTNs may be involved, may be short term notes, you know, other instruments, but bank instruments, I mean, are something of value, but I would probably say if I were to guess it would be MTNs because that's the buying and selling of MTNs, buying at the right and selling at the left, if you understand how that works. That's the only way it could work.

Q I don't understand how it works. Could you explain to me how it works?

A I can only explain to you how I

Nichols

think it works.

Q How do you think it works?

A Not how it works, how I think it works. If you take a company and an entity like we'll say hypothetically Pershing Trust and Pershing Trust has the ability to provide medium term notes at, say, 60 cents on the dollar or 60 percent of their value before they would go to market, and you have a party in the bank for national security reasons or whatever to help U.S. efforts internationally that has the clearances and authority to take those notes and exit them at market value or close to market, say, 80 percent, you would have, say, a 20 percent profit, so that would be a seasoned note.

Now, if it started at 21 percent and you exited every 20 -- every jump of 20, you're talking about basically buying and selling, acquiring and exiting the exit within a five or ten-minute period. So if you acquired the note click at 60 from whatever, let's say hypothetically it was a -- I don't know -- Paris bond note, Banque de Paris, and you exit it to Mitsubishi at 90, you see the profit. So the

Nichols

account would only be suspended for probably ten, 15 minutes for the transaction.

Q Can anybody go in and buy these MTNs?

A I imagine anyone could if you want to pay face value, 97 percent or something, you know, but I'm talking special conditions and I said hypothetically and I said I didn't know.

Q You mention special conditions. What are the special conditions?

A The special conditions, as I understand, if something like this exists, it means that it's cleared by an entity for national security reasons.

Q So only an entity that's cleared for national security reasons can participate in one of these MTN programs?

A I would say or they have to be the recipient of it.

Q The recipient of what?

A Of the major benefit of the action. In other words, you couldn't have a private party -- again, this is just my opinion -- you couldn't have a private party walk in and benefit

Nichols

like that, like Sam Israel was thinking he was going to do. You would have to have -- in my opinion, you would have to have the bulk of the revenue off of that go to something that underwrote U.S. interest and something important to the national interest.

Q Could you give some examples of that based on your experience?

A I can give you some examples, full stop.

Q Okay. What are some examples, full stop?

A You have problems with, let's say hypothetically, in Pakistan with the core commanders, you have nine core commanders. You have problems in Wasserkasten and maybe three of the core commanders are working with Musharraf and they very much want to support your effort, U.S. interest or U.S. policy. The other core commanders would go along with this for various reasons.

You take Ahmed Gul, the head of ISI, which is their CIA or security. And Ahmed Gul says, I want \$2 million and I will support the

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1 effort for the United States to be able to
2 over-fly us with crews and run, you know, drones
3 over the area for whatever. That \$2 million is
4 needed. How does it go through the process? It
5 needs to come from somewhere and it needs to come
6 quickly, and it could come hypothetically from a
7 program to accomplish an objective to save
8 American lives. Who's right, who's wrong, does it
9 exist or not, I don't know.

11 Q Did Sam Israel want to participate
12 in those kind of MTN programs?

13 A You're asking for my opinion?

14 Q I'm asking if you ever heard Israel
15 express that he wanted to participate in MTN
16 programs?

17 A I heard Israel say repeatedly that
18 he knew that people did this and he used George
19 Soros repeatedly as his example to me. And he was
20 told very clearly by Steven Hickock and others
21 there that anything, if it should exist or he
22 should participate in that, that he could look at
23 the majority of the funds going to support things
24 in our national interest, meaning the United
25 States and U.S. policy, period.

Nichols

Q Let's go back to this financial and security consultancy agreement again. In the second paragraph it says, "Israel is desirous of entering into certain buy/sell relationships in Europe and whereby he may purchase for himself as well as for select clients financial instruments which may include United States treasuries, bank medium term notes," and then it goes on.

Are these buy/sell relationships and bank medium term notes what you were just talking about the MTN programs?

A Well, MTN meaning you cannot have something generate the kind of capital required for our hypothetical we discussed without having the notes, so you would need fresh-cut notes probably if you are starting in the embryonic or genesis of the situation, from a prime bank. So we'll say hypothetically Bank of America, okay?

So then that bank, when those notes are cut, there is a difference from the cutting, we'll say hypothetically 21 percent, to where they hit the street, the, you know, brokers of the world, 92 percent 93 percent. In that period, they are moved up, bought, sold, but you need the

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exits, hypothetically, that will buy them. So you may need Royal Bank of Canada or Royal Bank of Scotland or Barclay's, Credit Agricole or UBS and so on, but if you move it up, you need a client like Israel, hypothetically, because that account is suspended for short periods of time while this process takes place, maybe ten, 15 minutes, because you already have this. You already have the entrance and the exit. That's all I understand. I don't know if there is any truth to it at all. It's just what I hear.

Q This agreement, you said you signed it on Sam Israel's windowsill, is that right?

A That's correct, in the bedroom. In, the bedroom I was staying in.

Q You said you wrote it up to protect your interest; is that right?

A We wrote it up in London and I said I wrote it up so what he was saying to me wouldn't change because I thought we'd get to New York, then all of a sudden things are going to change.

THE TRIAL OFFICER: I need to change the tape. The time is now 3:41. This marks the end of Tape

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Three. We're now off the record.

MR. BAINTON: Could we take
five minutes?

MR. ALBERTS: Sure,
absolutely.

(Whereupon, at 3:41 o'clock
p.m., a recess was taken to 3:57
o'clock p.m.)

(The deposition resumed with
all parties present.)

THE VIDEOGRAPHER: The time is
now 3:30. This marks the beginning of
Tape Four. We're now on the record.

MR. SIMONE: Three-thirty?

R O B E R T B . N I C H O L S , resumed and
testified further as follows:

Q You were just speaking to me about
MTNs and you mentioned that it's necessary to
participate in MTN that you have some sort of
humanitarian objective; is that accurate?

A Hypothetically, that's what I --
humanitarian?

Q Let me rephrase that. You mentioned
in order to participate in an MTN you have to have

Nichols

part of your program be furthering a United States interest; is that accurate?

MR. BAINTON: Objection.

A I said hypothetically that's how the system worked. I didn't say in order to participate in it.

Q Well, if that's how the system works, is it not a requirement?

A In our hypothetical?

Q No, based on your understanding from what you've heard.

A From what I've heard, it would need to hypothetically to further something important to the government. It couldn't be to make someone wealthy, for lack of a better way to put it, you know. Has to have some -- that's why I mentioned the thing -- what I was familiar -- what I was told it does and is managed back by one of places, one of the places, the Pershing Trust, and this is -- it's -- it is directed from these positions to further U.S. interests, but that's what I was told, what I've heard.

Q This financial and security consultancy agreement that we have been

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discussing, it mentions MTNs and it mentions in the fourth paragraph assistance to U.S. military veterans. Does it anywhere mention the silver certificates?

MR. BAINTON: Objection.

A No.

Q Does this agreement anywhere mention the treasury box?

A No.

Q Does it anywhere mention any aspect of the treasury instrument project that had the four components that we have been discussing?

A No. It mentions the buy/sell security situation. You buy something, you sell something. That's what it mentions. That's what he wanted it to say. That's what it said.

Q You said that you entered into this agreement to -- as a form of insurance; is that right?

A I said I entered into the -- I didn't enter into the agreement as a form of insurance. I said the agreement was drafted so that we were clear before traveling to New York on what the agreement basically was in very generic

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2 terms. He wanted a very general, generic, nothing
3 specific agreement to proceed. And I said, fine,
4 but I wanted to make sure that he wouldn't get to
5 New York and say something different than what we
6 said over there. So it was basically about the
7 money he's paying because he wants me to
8 accomplish four things for him.

9 I had protection on the other things
10 he did, you know, long before this with -- meaning
11 a month or two before, if he would have gone ahead
12 with Barclay's Bank or whatever or Postbank or
13 later ODL, I had separate protection agreements
14 under that. This was for this particular business
15 which was confidential and private to him.

16 Q Barclay's and ODL, those are
17 different MTN projects?

18 A I do not know the mechanics of those
19 projects at all. It's his field of expertise. He
20 did not invite me to go to the meetings with ODL.
21 I had a dinner with him once and, you know, spoke
22 with him but, I mean, I did not participate in the
23 business -- his business relationship with ODL.

24 Q You mentioned you already had
25 protections --

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A He gave me a five-percent fee protection agreement of money that he -- five percent of what his profits would be, he would pay me as an individual.

Now, when you say, oh, this was Bayou money, I see that that would have been a valueless document, otherwise I would have needed a protection agreement from Bayou.

Q So your understanding is that as the profits were generated from the MTN program, you would get a regular commission under this protection agreement?

A Are we speaking at ODL -- what are we speaking --

Q Let's discuss ODL. Is it your understanding that ODL, as the MTN project went forward, you would get a -- get a regular commission as profits generated by the MTN?

A I don't know if it was an MTN program. I said that's what I had heard. It may have been other instruments that they traded in or bought and sold. I do not know.

Q You had heard that it was MTN instruments?

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2 A No. I said that is what I am
3 familiar with. MTN-type transactions is my
4 example or my hypothetical. They could be buying
5 and selling treasury instruments of some kind,
6 gold certificates. I do not know. So when you
7 say to me, this MTN transaction this, this MTN
8 that, I don't know what instruments they will be
9 using. I was not privileged to any of that. I
10 was not at the meeting.

11 Q Did you know what kind of profits
12 Israel could expect to make from those programs?

13 A I've heard huge numbers, small to
14 huge, whatever. The only thing that I would say
15 to Israel or when he talked about it, I said, they
16 are huge amounts or this, I said, I don't know,
17 whatever, you know, I can't advise you or say
18 anything on that -- I won't say advice, comment,
19 no one eyes Israel. He is his own eye witness.
20 He is the boss of bosses and all that, so I said
21 to him, I would just say, keep your money under
22 your own signature. It's your account, your
23 money, so you can't lose anything. That was my
24 advice to him.

25 MR. BAINTON: Excuse me, Jeff.

Nichols

The ODL the thing he is talking about, the protection, that's a writing. Are we -- I mean, I don't want to interrupt you, but could we maybe put -- it's an agreement, it's in writing, what the terms of how much Mr. Nichols was going to be paid in respect of ODL profits. Do you want to use the exhibit?

MR. ALBERTS: Not right now.

Q The financial and security consultancy agreement you said you entered into in part so that Israel wouldn't change what he had originally said once he got back to New York, correct?

A That he would not modify the amount he offered for the four things he wanted done, correct.

Q How would you have used this agreement to keep him from changing the terms given that the agreement doesn't mention any of the four things that you were supposed to accomplish?

A I believe the agreement said you pay

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2 in a non-refundable amount, so I'm not sitting in
3 a position of jeopardy really, am I, if he's
4 paying me a non-refundable amount and I have to
5 comply. He's trusting me in essence and he did
6 trust me. I just can't remember if -- I cannot
7 remember if the box was provided to him before he
8 paid me or after. I believe that he had already
9 paid me when he received the box. The rest of it
10 he received that several weeks, but I cannot be
11 certain as to what the sequence was of me
12 fulfilling my obligation to him, but I fulfilled
13 it and he stated I did it correctly. And that was
14 back then.

15 Now, I mean --

16 Q Did in agreement require you to
17 locate any treasury instruments?

18 A No.

19 Q Did it require you to find a
20 treasury box?

21 A Not written, inferred to me. He
22 just wanted a general agreement for the \$10
23 million and he said, you'll do it?

24 I said, I'll do it, period. That's
25 it. I would not have proceeded with anything with

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2 him that stated, you know, sensitive things, box
3 this, that, currency, never, but he said what he
4 wanted done. He said what he'd pay for it. I did
5 it and I invite the gentlemen over here, whatever,
6 you go do it. You go try and get one of the
7 boxes. Not you personally, but direct one of your
8 agents, go get one, go to China, go get the
9 currency. Walk into Switzerland. Kick the vault
10 door open. Tell them you want to see everything.

11 I mean, it gets me a little bit
12 because it's kind of inferred that this is just
13 something that was just simple, easy to do, and it
14 is just something that can -- basically anyone
15 could have done it.

16 Q This agreement mentions you serving
17 as a consultant to Israel for a period of five
18 years in the numbered paragraph one. For how long
19 did you serve as a consultant to Israel?

20 A The time I knew him and I'm still
21 available. I wrote him a letter. I said, if you
22 want my advice in something, I said, put it in
23 writing.

24 Q You're still serving as a consultant
25 to Israel?

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A I said I would be available for five years and I will. I will give him my advice. That's a consultant.

Q When was the last time you did anything, any consulting with him? Let me rephrase that.

When was the last time that you provided consultancy services to him?

A The last time I gave him an opinion on something was, I believe, a letter that I wrote him sometime in 2005 stating that what he -- I would like him to make any questions to me in writing what he would like me to do and I would respond or attempt to achieve or accomplish his request in accordance with the complexity of the question or the complexity of the requirement or what he wanted done.

Q When was that?

A I believe it was in 2005. I believe you have a copy of it.

Q When in 2005?

A Huh?

Q When in 2005?

A I don't know.

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Q After that time, did you ever provide him with any consultancy services?

A No. He hasn't asked for any.

Q In the same general government exhibit that I just gave you, can you turn the page to look at the document that's behind the Exhibit 2?

A Yes, I can.

Q That says Acknowledgment across the top?

A Exhibit 2, may I just take a half a second just to point at something here?

Q Sure.

A See this? See this?

MR. BAINTON: Uh-huh, uh-huh.

That's what he wants you to look at.

Q Do you recognize this document?

A Yes.

Q What is it?

A It's the document, the other one that he signed I told you that I asked him just so he was aware that there could be some sensitivity attached to his request.

And he inferred to me, not stated

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2 firmly, but inferred, in other words,
3 non-definitive that he had -- he inferred he had
4 some other things connected with these
5 obligations, you know, like a couple of little
6 things or information or paper, so that's why it
7 says, you know, may or may whatever come into your
8 possession. I remember this very well. It says
9 right here, you know, that discuss with
10 credentialed authorities of the U.S. Treasury, the
11 U.S. Federal Reserve or authorized officials of
12 top tier banking institutions had decided it would
13 be wise to tell him whether he should speak with
14 the correct parties concerning this, right.

15 Q So you wrote this up?

16 A Yes, I did, with him. I mean, he
17 was there. I just said, I'd like something that
18 you understand what we're doing, together, right.

19 Q Were you present when he signed it?

20 A Yes, I was.

21 Q If the first paragraph, it says that
22 Robert Nichols has advised me in precise detail of
23 the possible -- has advised me in precise detail
24 of the possible liability and financial risk of my
25 disclosing confidential information pertaining to

Nichols

certain monetary instruments issued by the U.S. Treasury and the U.S. Federal Reserve.

A Right.

Q What was the possible liability and financial risk that you advised him of?

A I told him that I thought that it should be handled at the level that he claimed he was at and John Ellis said it should be at. I didn't think it should be handled at a low level of government. And the risk at a low level of government would mean you probably have the box confiscated they wouldn't understand. They don't have the clearances for this type of thing, so I believe you should deal at the highest level and that's where he said he was with Mr. Ellis.

Q What was the liability that you warned him of?

A The liability meaning financial risk of them taking some agent down here, no clearance, you know, secret or something and you got something up here at code word them taking confiscating, you know, his -- you know, his box, for lack of a better way to put it, or the instruments, right?

Nichols

See, I said that it must be very, very clearly discussed or it would best be discussed at the level that Mr. Ellis was at, at his altitude with his cousin, with the top.

Q Just to be clear, when you say Ellis's cousin, are you referring to the President of the United States?

A That's correct, or something, you know, in the executive. I wouldn't say necessarily the President. I'm saying, you know, or someone in the Executive Branch, you know, Condoleezza or someone, someone at the altitude to be able to say this is nonsense, this is legitimate, this is sensitive, you know, not speaking with someone, you know, the Mount Kisco office of whatever government.

Q So Cabinet level people?

A Cabinet level? Someone qualified and with access to the history, the heritage of an obligation that may exist, meaning someone at the Treasury level, Bernanke's altitude or more, Greenspan, something high enough up in the national security column that is familiar with this, preferably somebody in the Defense

Nichols

Department or the NSA. That's what I suggested. But it was only a suggestion for his benefit so that he would not have it confiscated. I'm saying to him, if I believe, speak to credentialed authorities of the U.S. treasury.

Q Let's look at the second paragraph. It says, "Mr. Nichols has explained to me in specific, understandable terms the tangible articles which have come into my possession within the last 12 months..." I am skimming text now... "could be considered sensitive and secret to certain government entities."

What tangible articles are being referred to here?

A Well, he said he had some things and he never elaborated on that. And I'm thinking of the box and, you know, this -- bills and things of that nature that he's asking me to provide.

Q Were these in his possession at that time?

A Not when he signed this, no.

Q So what were the specific, understandable terms that you used to explain things about the tangible articles that were

Nichols

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2 already in his possession?

3 A He said that he had things
4 pertaining to this project. I did not know what
5 they were. He did not share them with me. So I
6 just with him incorporated them in the body of the
7 text.

8 Q Okay. What about the other tangible
9 articles which may come into my possession, what
10 does that refer to?

11 A That refers to the box. That refers
12 to any -- if he should have proceeded into, you
13 know, the other instruments, the silver
14 certificates and things of that nature. All I'm
15 saying to him -- I'm being repetitive, sorry about
16 that -- is speak with credentialed authorities of
17 the United States Treasury or Federal Reserve or
18 authorized officials of top tier banking
19 institutions. The Federal reserve is owned by its
20 member banks so, I mean, by one of its member
21 banks.

22 Q Could you look within the same
23 government's exhibit a few pages down. There's a
24 page that says Exhibit 7. Could you look at the
25 document immediately behind Exhibit 7. It says

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the header RWA, ready, willing and able.

A Exhibit 7? It's inside Exhibit 7?

Q Right. It's right behind the piece of paper that says Exhibit 7.

A Yes.

Q Do you see the document I am referring to?

A Yes.

Q Do you recognize this document? Have you ever seen it before?

A I'm trying to see if I have. I don't remember it, if you're asking me, so I'm trying to see if there is something that will trigger a memory here because I don't -- I don't remember that. I know this, but I don't remember that.

Q Okay. Let's look at the next document within the same packet that's been marked Government Exhibit 7 --

MR. BAINTON: You mean the thing that says Listed Silver Certificates, is that what you're referring to?

MR. ALBERTS: The document

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right behind Exhibit 8.

MR. BAINTON: Okay.

Q Actually, it looks like behind Exhibit 8 there's one, two, three pages which it looks like maybe three separate documents. Do you recognize those three documents?

MR. BAINTON: On the wrong page.

THE WITNESS: I'm looking at this. That is a very strange thing that happened here.

MR. BAINTON: Next page.

THE WITNESS: I am old.

MR. BAINTON: We're now on Exhibit 8.

THE WITNESS: That's where I'm supposed to be, right?

Q So the page you are looking at and I believe the following two pages, do you recognize those documents?

A I have to be able to put my glasses on to see it.

Q Sure.

A I recognize it, but the name is

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redacted off of it.

Q What are these documents?

A This is from the security house.
This is like a safe-keeping receipt.

Q Do you know what was being kept?

A Well, here it says, Historic in
Suisse Deutsche. That's, you know, historic
documents that would be underwriting these
particular serial numbers where the origin and all
that. So, in other words, this is holding the
history of where these certificates came from.
That's the way I interpret it. I will put it that
way.

Q Have you ever seen these documents
before? Are you familiar with these documents?

A Yes, I've seen them before.

Q Just to be clear, this is all part
of a packet that was sent to us by their counsel,
I believe, Martin Simone.

A Well, then --

THE WITNESS: I'm just
teasing, Martin.

MR. SIMONE: Thank you.

THE WITNESS:

Nichols

A No, I never --

THE WITNESS: Don't do that.

Don't make your machine go.

Q Let's look at the first page --

A Oh, I'm sorry.

Q What is it a record of, the first page?

A It's a -- it refers to the historic documentation -- this is my interpretation -- I'm not Swiss -- of serial numbers and silver certificates and things of the like. And it's basically stating that the history is there because anything regarding this business, you have to have the lineage or the history. They call it the -- they call it the -- there is a word in Switzerland, but they call it the -- it will come to me hopefully today, but the second page refers precisely to it.

Q Precisely to what?

A It's a history -- it's the history documents. It's the history, the origin, where it came from, where -- you know, where the currency came from, how it came into whoever's possession, what -- these probably would be considered very

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sensitive by some.

Q You mean the documents that are being stored in the storage facility?

A Right. In other words, the way I interpret this is that the currency that we'll say silver certificates or whatever, that's the history of where they came from, how they -- you know, from their origin to this time.

Q You mean this document is the history or --

A No, inside the security vault this is a safe-keeping receipt for the history of the silver certificates.

Q Did you ever see the contents of any of these vaults that are referred to on these three pages?

A Vaults? Did you say vaults?

Q I did.

A I declined to go to them.

Q Did you ever see the contents of the vaults?

A No, because I didn't go there. I mean, I was asked -- I told you that earlier -- and I declined.

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Q After --

A You don't want to know too much about things.

Q After Israel --

A Would you like to go?

Q To look at these vaults?

A Yes.

Q Let's move on. After Israel said for you to go ahead with the project, what did you do in order to go ahead with the project?

A Before I say -- answer that, may I point out one thing?

Q Sure.

A These also are historic documents, 45,000 kilos; you see that? That's a huge -- or 45 kilos. That's a lot of information on the history paid -- you know, these vaults cost a lot of money in Switzerland. If you get a shoe box, it cost 3,500 a year. So, I mean -- and you're dealing with voluminous areas, so it would be interesting to hold a bunch of confetti, you know, worthless stuff -- I'm sorry -- for hundreds of thousands of dollars. You know, I mean --

Q Before we move on, how did you

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acquire these documents, these three pages?

A I got them from Wilhelm Teekman.

Q When did you get them from Wilhelm Teekman?

A I don't recall the exact date, but discussions started with him right after I met Sam Israel.

Q Did you get these documents before you had your third meeting with Ellis?

A I don't believe so, no, I didn't because I was still in New York and I had to go back to Europe, to my memory.

Q So you previously mentioned that after Israel gave you the go ahead to go forward with the project --

A Yes.

Q -- the next day you flew to Europe; is that correct?

A Once we signed the agreement in New York, I didn't fly to Europe. I flew to the U.K.

Q Okay.

A I flew to London.

Q Okay. And what did you do in London?

Nichols

A Well, ultimately, I gave Israel the box, stage one of the four things the box, but I had to get current locations on the parties, you know, to negotiate the box and proceed there.

Q So how did you do that? Before we move on, I kind of want to take it step by step so I don't get too confused. When you first went to London, you said the first thing you did was locate the box; is that right?

A I had access to the box.

Q How did you obtain access to the box?

A It was in my vault or in one of my lock-ups.

Q How did it get to be in one of your lock-ups?

A I put it there.

Q When had you put it there?

A Probably four months before I was investigating it. That's why I said it was uncanny to me that Israel was interested in this because I didn't mention it to him. He mentioned it to me, but --

Q Did the box have the treasury

Nichols

certificates inside it that Israel had been asking you to get?

A I never opened the box. I have never opened the box and that I made very clear to Israel. It could have the Shanghai phone book in it for all I knew. He wanted a sealed box from the Chinese. I provided the box and he wanted the parties to negotiate with on the box. I believe you have the picture of it and I provided that. And then it was the currency in Switzerland, he wanted that and he wanted who to negotiate that with. That took a little longer.

Q When he wanted you to do four things, two of those things were to locate the box and obtain the box?

A Right.

Q And coincidentally you had already done both of those things before --

A He didn't know I had access to the box, that's correct.

Q Coincidentally, you already had it in your possession, so --

A Well, kind of, yeah. I had access to it.

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Q Was it in your locker?

A It was, but also -- yes, it was in my locker.

Q So when he hired you, it happened you had already accomplished two of the things he was hiring you to do?

A I had accomplished one. I hadn't accomplished the location of the principal, principal to negotiate the boxes.

Q No, to negotiate the boxes?

A A pinnacle, but I mean a person with full authority.

Q What is negotiating a box?

A Pardon me? To negotiate the settlement on it. You know, how much on the dollar and this and that as Ellis said that they wanted to -- that they were authorized to negotiate at eight cents on the dollar.

Q You mean find somebody to sell the box to?

A I wasn't selling the box to anyone.

Q When you say negotiate the box, what do you mean?

A To negotiate the settlement of the

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boxes. We're not speaking here of one box. We're speaking of one box with regard to your particular undertaking. They were interested in multiple boxes, probably a hundred boxes.

Q They meaning Bayou?

A Meaning -- Bayou didn't have anything to do with this. I'm talking Sam Israel and John Ellis.

Q Oh, Sam Israel and John Ellis, okay.

A And they wanted to have access to the boxes, plural, in this series.

Q So John Ellis was actually a partner in this enterprise with Israel; was that your understanding?

A He was not a financial partner to my understanding because Israel told me not to mention the money he paid me, but they were partners in pursuing the box, the treasury relationship or treasury redemption or whatever you want to call it, multiple boxes. This was not about one box; this was about many boxes.

Q Did you ever find any other boxes?

A They are available. I mean, they're

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there.

Q They're where?

A I would say in the hands of the same people that provided the first one.

Q When you say I would say that, would you say that because it's true?

A Well, I don't know for sure. I'm just simply speculating. You know, I imagine they are under the custody of those that say they own them.

Q But you don't know?

A I wouldn't bet -- I wouldn't bet your life on it.

Q What did you do --

A I just don't know how to answer the question. I would not know where they are, but I think I know. Is that a fair answer?

Q Sure.

A Okay.

Q After you landed in London -- let's step back. Was anyone traveling with you to London?

A Israel traveled to London with me.

Q Anyone else?

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A No.

Q Did you show Israel the box?

A Not then, after a couple of days, I think two days or something.

Q As part of that same trip to London?

A Yes.

Q Other than show him the box, what else did you do in furtherance of the treasury instrument project that you were engaged in on his behalf?

A When you say show him the box, he took possession of the box, Israel, so I didn't just show him the box. He took possession of the box.

Q You gave him the box?

A That's correct. That was stage one. And then I told him I would have the names for him to speak to very shortly or as quickly as I could which possibly took a couple of weeks which I provided him. And I told him I would get the currency copies, which I was just looking at here, and they -- I did that, and I told him I would try and get him a note to -- which was not part of the agreement, incidentally, but I would. And Wilhelm

Nichols

Teekman provided the note and I said I would get him access to the vaults, if he had the relationship or how to negotiate it with the correct U.S. officials. That's what I did, period.

Q Had Israel asked you to get that specific box that you gave him?

A No. He said a hundred -- he wanted the hundred million series because there's boxes that say all kinds of different figures on them. And the hundred million dollars are the ones that he believes and I must say I also believed that those are legitimate boxes despite the you said.

Q But there's other --

A No disrespect, I mean --

Q There is other boxes that have other series that you think are illegitimate?

A I know they are illegitimate from the Chinese. I have looked at them. I've seen them and they have been made clear to me they are illegitimate. They're false.

Q But the Chinese, somebody from the Maiwah --

A In other Chinese -- their

Nichols

intelligence is not so flawed that they don't know what's this and that, you know. There are many boxes out there that are false in the Philippines and China and lacquer and pretty eagles on them and all kinds of things. I mean, I've been through all this in files to familiarize myself with them.

Q Do you have any of those files?

A You mean can I -- do I have access?

Q Do you have them in any of your properties?

A No.

Q Do you have them in your custody anywhere in the world?

A Not to my knowledge.

Q How did you get access to them previously?

A I asked parties that allowed me access.

Q Who?

A Can't recall the names at the time. Probably Swiss, someone in Switzerland, bankers, something of that nature.

Q After you arrived in London, what

Nichols

was the first thing that you did in relation to the treasury instrument project?

MR. BAINTON: Objection.

A When I arrived in London on what date?

Q We just talked about a trip that you took with --

A You mean Sam Israel, when I arrived in London?

Q Yes.

A What's the first thing I DID concerning --

Q In furtherance of the treasury instrument project.

A That would be a day or two or something like that would go by and -- I showed him the box and transferred it to him as stage one of the first step of the agreement.

Q Before that was there anything that you did in connection with the project?

A When I was in London prior to going to New York, I had met probably the next day Teekman flew to London to discuss with me and I said there may be a possibility there is someone

Nichols

here that maybe helpful to you in the settlement of your situation for, you know, the government.

Q That was the conversation that we talked about earlier, correct?

A Yes, but that's before I went to New York.

Q I understand. After you gave the treasury box to Israel, did you do anything else on this -- while you were in London in furtherance of the treasury instrument project?

MR. BAINTON: Objection.

A I spoke to quite a few people about it. I just mentioned Angelina Wei, Tansri Teong. I said if it worked out, you know, I would compensate, you know, some of the people that coordinated it with something, you know -- you know, I can't remember specifically what I did is the answer to your question.

Q Did these things happen while you were in London on this trip?

A I don't know if they happened precisely then because I went on to Germany with him and then I returned which a lot more took place when I returned with regard to my speaking

Nichols

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2 to people. So I don't know if it happened right
3 then or I went to Germany because he asked me to
4 go to Germany with him to Postbank or -- yeah,
5 Hamburg. And when I came back, I had more
6 discussions on it with other parties, so I don't
7 know the sequence or the timing that well now.

8 Q Do you understand when I refer to
9 the treasury instrument project I am talking about
10 those four goals that you had talked about before?

11 A Yes.

12 Q The project to accomplish the four
13 goals?

14 A Right.

15 Q When you went to -- you just
16 mentioned you traveled from London to Germany.
17 When you were in Germany, do you recall the first
18 thing that you did to accomplish the treasury
19 instrument project goals?

20 MR. BAINTON: Objection.

21 A Say that again exactly, last words
22 of that.

23 Q When you traveled from London to
24 Germany after you arrived in Germany, what was the
25 first thing that you did in order to accomplish

Nichols

the goals of the treasury instrument project that we have been discussing?

MR. BAINTON: Objection.

A I don't know if it was then. I believe it was then, but I can't be certain that that is when he had -- he discussed it possibly with Ingo Passoth, but I don't know. I can't be sure.

Q To clear things up, after you arrived in Germany on that trip from London, did you do anything in furtherance of the treasury instrument project?

A Not then I don't believe I did, because it was -- I was in Germany. He asked me to go over there because he said his back hurt and all of his back pain and he was going to speak with Passoth, the director of the bank, about his business. And he had a meeting at the airport, I think -- I think he had a meeting at the airport with a regional manager of Deutsche Postbank, but I don't recall anything that was specific on the -- I just don't recall anything concerning the project.

Q How long were you in Germany?

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A One day, two days max.

Q Where did you go after that?

A Where did I go or where did he go?

Q Where did you go?

A I went back to London, I believe.

Q Did you do anything once you were back in London in furtherance of the treasury instrument project?

A I might have gone to Zurich. I can't be certain.

Q You don't know whether you went from Germany to London or from Germany to Zurich?

A I could have gone from Germany to Zurich or I could have gone back to London and to Zurich. I can't be sure.

Q Do you know that you went to both London and Zurich as part of this general trip before you came back to the United States?

A I'm 99 per -- I'm almost certain I did, yeah.

Q After you left Germany, what was the next thing that you did in furtherance of the treasury instrument project we have been discussing?

Nichols

A The next thing I left -- he asked me to go to Zurich on something, wanted to buy bullion. It had nothing to do, but he wanted to buy bullion, I believe, and I don't know if I went there then to arrange meetings for him to buy bullion. I cannot recall. So your question is what did I do next that would not really be the project, but while I was in Zurich I may have spoken with Teekman or people regarding access to the security areas if he were to, you know, proceed with the project, you know, carry on. So it's so overlapping, it's very difficult for me to untangle the time for you and I want to do it properly, but I just can't recall precisely the sequence of what took place.

Q But at some point while you were in Europe on this trip you did speak to Teekman about getting access to the vaults; is that correct?

A That's correct.

Q After --

A I spoke to Teekman many times about the vaults or multiple times about the vaults in getting access because you just can't walk in and do that. That has to be arranged. These are not

Nichols

little safety deposit things.

Q After you spoke to Teekman about getting access to the vaults, did you do anything else in furtherance of the treasury instrument project while you were in Europe?

A Well, we're at the point I am afraid I have to say I don't remember. I want to be helpful to you, but I just -- I'm fizzling. I don't remember.

Q You ultimately came back to the United States, correct?

A Yeah, I'm here.

Q Prior to you coming back from Europe to the United States, do you know if you -- do you remember doing anything else in furtherance of the treasury instrument project on this trip?

A Just -- there were a lot of discussions daily all the time about the treasury project. He called all the time about updates from John Ellis all the time. He spoke about it continuously, you know, on the phone, quick calls, this, that, you know, so I don't know what you -- you know, when you say what else did I do, I responded to questions. I responded to -- he

Nichols

asked me one time, will you accompany us to the vaults if we go there with his colonel or something. I said of course. Will you help us with this, would you fly to Asia if it's necessary, of course.

But I said, is there any problem here?

He says, absolutely not, you've done everything that you -- was required of you. And he paid me. You know, I was paid. And he said, you've done everything.

The problem between he and I did not come until I saw this thing on the end of his empire, you know then it's well he lent me money, then it's, you know, you gotta help me, you know. And I heard names and people and agreements he had entered into and, I mean, things I had never heard of.

Q Other than --

A Totally non-related to me. He sends me contracts he signed of things with people I never heard of so, you know, this was his -- so I communicated to him, as I said to you before, if I can be of any assistance to you, you know, as a

Nichols

consultant, giving some advice, put it in writing so it's very clear in accordance with the complexity of your request I'll try and do something. That was that.

Q After you made the calls to Teekman, do you remember the next step you took to accomplish the goals of the treasury instrument project?

MR. BAINTON: Objection.

Q Let me rephrase the question. What was the next goal of the four goals? What was the next goal that you accomplished, if any?

MR. BAINTON: Objection.

You can answer.

Q Do you know what four goals I am talking about?

A The four things I agreed to, yes. I'm trying to think of what he wanted. There was discussions about, you know --

MR. BAINTON: The question is which one was accomplished next? Delivery of the box was accomplishment one. Of the remaining three, which was accomplished next? That's the

Nichols

question.

A Okay. The next thing that was accomplished was the Teekman -- this, the photocopies in the Teekman thing. Then the -- sequentially, then, the next thing would have been the information concerning who to speak to regarding the box. And last, to the best of my memory, the last thing, the most difficult, was to get the locations of the safekeeping receipts for the currency.

Q When did Teekman give you the photocopies?

A I don't know, but --

Q Was it on this trip to Europe?

A Pardon me?

Q Was it on the trip to Europe that we're talking about?

A Or on another trip. It was a little harder to get that as I recall.

Q Just refresh my recollection. What was the next accomplishment of the four goals? What was the next goal that you accomplished after getting the photocopies?

A I got him the box. I got him the

Nichols

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2 copies of the certificate and a certificate which
3 I call an etching. I had that checked, as I
4 mentioned, by Amarak Security just for my own
5 curiosity. It wasn't a responsibility. He gave
6 it to Passoth. I do not know the timing on it.

7 He wanted to know the locations --
8 which was difficult -- of where the funds or the
9 currency was located, the silver certificates and
10 so forth, were located. He wanted to know who to
11 speak with in negotiating a settlement on those
12 notes. He wanted to know who to speak with in
13 negotiating a settlement for treasuries of the box
14 and moving ahead with many, many more -- you know,
15 the rest of the obligations, maybe a hundred
16 boxes, and that's it.

17 Q Now, the location of the currency
18 and the silver certificates, did you ever locate
19 that currency and silver certificates?

20 A Did you ever locate the currency and
21 the silver certificates? Yes, in the address.
22 It's here.

23 Q They are where?

24 A They are within -- they are inside
25 the security facility in Switzerland. This is a

Nichols

safekeeping receipt.

Q Just to be clear, you are referring to the location identified in Government's Exhibit 7 behind the exhibit tab that says Exhibit 8 there's three pages. Which of those three pages are you referring to as the location where the silver certificates are located?

A Is there an address here? These are sanitized.

Q Did you provide your counsel with an unsanitized version?

A Yes, I did. I guess he didn't want you to have it. No, it's --

THE WITNESS: You sent it to them, the unsanitized version?

MR. BAINTON: All I know is we've produced every document we've got. We haven't held anything back.

A I know that it went unsanitized, it did, because --

MR. SIMONE: You should have it in evidence.

Q There is a version of this document that has an address on it?

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A That's correct.

Q That address is the location of the silver certificates that is the third goal you were trying to accomplish?

A That's absolutely correct.

Q How did you obtain that location? How did you learn of that location?

A Wilhelm Teekman.

Q Did you have to pay him anything?

A No.

Q Just, I guess, to be clear, up to this point in accomplishing the first three goals had you paid anybody to help you accomplish the goals?

A Yeah, I probably, you know, 50 grand or something, just -- I'm guessing.

Q You don't recall paying anybody?

A Oh, I recall paying couriers and people to get information and things like that, but everyone in my world deals in gold and things like that and coins, so I don't know precisely what it was, but they got the information I wanted and that was it, you know. I finished my business.

Nichols

Q You mentioned checking on the validity of certain currency with Amarok; is that correct?

A I said an etching.

Q Etching. How did you go --

A Amarok.

MR. BAINTON: Can you spell that for us, Bob?

THE WITNESS: Emrex, E-M-R-E-X, I don't know. Emrex. It's in the phone book.

Q Where are they located?

A London.

Q How did you go about checking your etching with Amarok?

A I asked Michael Cleverly, who is the head of -- he is a military officer or former and they handled the transport of currencies for large clients. If he knew someone who might look into my or -- a etching, and he said, yes, I could do that. He did and he brought it back and he said the etching is U.S. currency.

Q Did you keep that communication from him?

Nichols

A If you're gonna say where is it, yeah, I kept it, but I don't know where it is. It's in London or Zurich or the Netherlands or something.

Q Have you provided a copy of it to your counsel?

A No, I haven't been back to London yet. Someone -- someone destroyed my relationship over there, so I have to wait a little bit.

Q Did you give a copy of this communication --

A But it was this bill. It was this was the etching bill.

Q I'm sorry. Could you tell me what exhibit tab that bill is behind just so we all follow, clear on the record?

A The reason it's interesting, you see she is threads --

MR. BAINTON: Just a second,

Bob, just a second. Exhibit 5.

THE WITNESS: Sorry.

Q So behind Exhibit 5 you're referring to the second page?

A Mm-hmm.

Nichols

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Q Okay.

A The one that has the little fibers in the bill, the little red and this one, that one. You see those little fibers --

MR. BAINTON: You have to look at the color one.

Q I see what you're saying.

A This one, this is that etching.

Q Just to be clear for the record, you're referring to some red that appears on the image that starts just below --

A Little fibers.

Q -- one million dollars in the upper left-hand corner and the red thread runs through -- I just want to be clear for the record that he's pointing to a red marking, thread-like marking that runs from just below the 1 million dollar emblem in the upper left-hand corner through the little blue --

A It terminates. Then there is another thread here and thread here, little threads.

Q Then it runs through the image of George Washington.

Nichols

When you pointed that out, that's how you know that it's a copy of a legitimate -- of legitimate currency?

A Well, according to the United States Treasury, that's treasury paper.

Q Who did you speak to at the Treasury that told you it was treasury paper, if anyone?

A I don't think I spoke to anyone there. I think my teacher taught me that in the sixth grade or something. It was something they taught everybody, you know, threads. Didn't you have that?

Q At some point, you were told if there is red threads in currency, it's legitimate currency?

A The threads are one of the keys, then the inks, then the little wrinkles and lines, et cetera, but threads are the very first thing.

Q Did you give a copy of the letter that you received from Michael Cleverly at Amarok concerning the legitimacy of the etching, did you give that to Israel?

A No.

Q Did you give it to anybody?

Nichols

A It's in the possession of someone other than myself now, so I obviously gave it to someone else. I'm just trying to think of who. I'd have to be over there and see where my little stacks of things are.

Q After you achieved the goal of locating the currency and silver certificates, the next goal that you achieved was figuring out who to speak to concerning negotiating the silver certificates; is that correct?

A It was who would be qualified to negotiate for the silver certificates or the treasuries, that's correct, those two things.

Q Did you accomplish that goal?

A Yes, I did.

Q How did you accomplish it?

A I spoke with the parties and they told me that they were ready, willing and able to meet with the government or qualified people of the United States government to proceed with that negotiation.

Q They told you they were members of the United States government?

A No. They said that they were

Nichols

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2 prepared to send an authorized representative of
3 their position with full authority to engage in
4 discussions with the proper authorities in the
5 United States government with a view toward
6 resolving the matter.

7 Q Who were these people?

8 A The Maiwah family.

9 Q It turned out coincidentally that
10 another of the goals that Israel had namely
11 identified who to speak with concerning
12 negotiating those happened to be somebody you
13 already knew, the Maiwah Family?

14 A I have not met the principal that
15 would settle the thing. I was given his name and
16 I met the parties that work for him. I was asked
17 to meet him, but that's unnecessary because I was
18 no longer involved in it. It was for him and John
19 Ellis and their colonel or whoever in the United
20 States government was qualified or interested in
21 discussing the matter to meet with him.

22 Q Again, it was just a coincidence,
23 though, that one of the goals that Israel asked
24 you to accomplish was finding out who to speak to
25 and that that turned out to be somebody you

Nichols

already had contact with?

A No, no.

Q Could you explain how it's not a coincidence?

A He -- with the box or the certificates, he needed who to speak to. I knew who to speak to, but I didn't know specifically who they would have deal with the United States government.

Q Oh, who specifically were they going to have deal with the United States government?

A I don't have it in front of me. I wrote it down and gave it to Israel and I gave you a copy of it.

Q Is it a member of the Maiwah family?

A It's the Mayflower, the guy on the top of the Mayflower.

THE WITNESS: Do you know what I'm talking about, Martin?

Q When you say the guy at the top of the Mayflower, are you referring to a document with the word Mayflower on it?

A Just a hand scratched thing.

Q I'd prefer that counsel not refresh

Nichols

your recollection with a document that I am not familiar with.

MR. BAINTON: I was thinking about showing it to you if we can find it, but forgive me for trying to be helpful.

MR. ALBERTS: That's fine. I didn't want anything to --

MR. BAINTON: If we have it.

Q Is this a person who is a member of the Maiwah family?

A I didn't check his genetics. I would assume so.

Q Was he Chinese?

A Yes.

Q You learned of his name through the Maiwah family?

A Yes, through one of the parties.

Q Who at the Maiwah family told you this person's name?

A One of the government parties, one of the military men, one of the people there, I don't recall which one. It could have been Angelina Wei, I mentioned before.

Nichols

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Q Is she a military party?

A I don't know her rank and I don't know.

Q Do you know if she has a rank?

A That's a good question. No, I don't know.

Q Who else could it have been that told you the name of this person that you were supposed to speak with to negotiate the silver certificates?

A This is not the silver certificates. You're speaking about the treasury things, the box. That's what we're talking about when we're speaking about Maiwah the Angelina Wei. That's not the silver certificate.

Q Okay. Let's step back so it's clear we're all on the same page. You accomplished a goal of locating the silver certificates. After that you accomplished another goal. What was that next goal that you accomplished?

A Of who to speak to regarding settlement on the silver certificates. I'm not saying that that is the sequence, but I'm just putting it there because it's logical because you

Nichols

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2 asked first the silver certificates, then who do I
3 speak to. That's Mr. Israel. I want these
4 certificates, I want access to these, and I want
5 to know who to speak to where I can negotiate
6 them, buy them, sell them, whatever. I want to
7 know who to speak to.

8 Q Did you accomplish that goal of
9 locating who to speak to?

10 A Yes, I did.

11 Q Who was it?

12 A It would be Wilhelm Teekman on that.
13 That's who he would speak to or -- and the law
14 firm representing them.

15 Q Was this the goal that you said was
16 very difficult to accomplish?

17 A Very difficult.

18 Q Because isn't this the guy that you
19 called the very first day after Israel hired you?

20 A Yes, but it -- I wouldn't have the
21 ability to call him for ten years if I hadn't --
22 didn't have the relationships to find out who,
23 where, what. That's what I do.

24 Q Okay. But it turned out that the
25 person who Sam Israel needed to speak with to

Nichols

negotiate the silver certificate notes was the person that you called the same day that you spoke for the first time with Sam Israel?

A I see what you're doing. It turned out that Sam Israel was interested in silver certificates, currency, U.S. government debt, period. And he asked me if I was familiar with this. I said, yes, so we can -- I don't think Sam Israel will deny this -- why would he deny what he asked me?

Then we go to the fact that he says that I explained to him -- excuse me -- I'm stammering -- I said to him this type of undertaking requires relationships I am told at very high levels of government. You asked me who told you that. I answered you, David Smith and others.

Then he said, my best friend -- within 30, 40 minutes after I met him -- my close, dear friend, John Ellis, let's call him, he will handle this.

I said to him, I would not pursue this relationship unless I met John Ellis.

And you said to me, well, when did

Nichols

you meet John Ellis?

And I said, maybe six, eight weeks later, a couple of weeks later, and that's it.

Q I don't want to cut you off if you think you're still responding to my question, but I think we're getting off --

A I think I responded to your question. My responses are just getting longer.

MR. BAINTON: I think you're getting a little tired, but go ahead.

Q So the next goal after learning who to speak with to negotiate the silver certificate notes is who to speak with regarding negotiating treasury boxes; is that accurate?

MR. BAINTON: Objection.

A Treasury boxes to me would not seem to have any value. It would be the contents of the box that may have the value, if they are goal certificates or something like that. When you say negotiating treasury boxes, to me the box is valueless, so do you mean the contents of the box?

Q The goal -- just to be clear, the goal that we just discussed was figuring out who to speak with to negotiate the silver

Nichols

certificates, correct, and it turned out that was Wilhelm Teekman, correct?

A Correct.

Q What was the next goal that you accomplished?

MR. BAINTON: Objection.

You can answer.

A Who to speak to regarding settlement on the contents of the treasury boxes which held allegedly gold certificates, obligations of the United States government.

THE VIDEOGRAPHER: You have ten minutes of tape.

Q Did you ever learn who to speak with to negotiate the contents of the treasury boxes?

MR. BAINTON: Objection.

Answer again.

A Maiwah family, Angelina Wei. I do not have the name of the principal with me. It was sent to you. It's in some paper here. Possibly Tansri Teong, you know, that's the answer. Same answer.

Q Was that the last goal that you accomplished of the goals that Israel gave you the

Nichols

\$10 million to accomplish?

A I believe I said there were multiple conversations, multiple conversations, back and forth with Israel between myself and him concerning this business. So when you ask me was that the last, was that the end, was that all there was? I do not know the date of the last conversation that satiated his requirement to where he said to me you have done what I have asked of you. Your business is finished with this. It's okay. May I call you if I need assistance?

I said, of course.

Can I check with you, for your advice?

Absolutely, but I do not know when these conversations after that stopped or if he asked me a little question, can you find out this, can you do that, I'd appreciate it if you do this or that or check with this or what would you do here? These are the things I can't answer you. I do not know. These conversations were ongoing and I do not know when they stopped.

Q Earlier today you said that you

Nichols

where hired by Israel to accomplish four goals,
correct?

A Yes.

Q When did you complete the last of
the four goals?

A I do not know precisely the date.

Q What is your best recollection of
the date?

A I would say the last of the things
was probably -- the last of the agreement was
probably the name -- names I gave him concerning
the Maiwah family. You know, I would believe that
would probably have been a couple of months after
I did this.

Q What month would that be
approximately?

A You want me to guess?

Q Just your best estimate. You said a
couple of months after --

A I mean, to me the most difficult
part of it was to get the Maiwah and the location
of the vaults and access to the vaults in
Switzerland, but I would say two months, three
months, you know, after we entered into our

Nichols

agreement, something like that.

Then because he asked me repeatedly the questions, this and that, that I attribute to advice and consultation that I said I would be happy to do.

Q In your view, did you achieve all four goals?

MR. BAINTON: Objection.

A In my view what?

MR. BAINTON: He's asking if you achieved all four goals again.

A Yes, I did.

Q In your view, did you earn the \$10 million under the agreement?

A Absolutely.

Q So you're due the \$10 million dollars as compensation under the agreement?

A Absolutely, and more.

Q And when we talk about the agreement, just to be clear, you're referring to the financial and security consul --

A The one that says \$10 million, that's correct.

MR. ALBERTS: Are we near the

Nichols

end of the videotape?

THE VIDEOGRAPHER: Five
minutes.

Q You received approximately \$10
million from Israel in July 2004, correct?

MR. BAINTON: Objection.

Answer it again.

A No. July, April, May, June, July,
yes, correct.

Q What account did the \$10 million
come from?

A It came from his personal account at
Postbank.

Q In what country was Postbank
located?

A Germany.

Q Into what accounts was the \$10
million transferred initially?

A HSBC London, Centrum Bank,
Liechtenstein. I don't know if it went to another
one. Then Standard Charter, Singapore.

Q Did you say Centrum Bank,
Liechtenstein, HSBC London, was there a fourth
account that you mentioned?

Nichols

A I think there was only three, Standard Charter and Centrum Bank and Centrum Bank sent it back because it was a large amount for the bank, they said. And then it was resent back to HSBC London.

Q Okay. I'm going to show you --

A To the best of my memory.

Q Sure. I'm going to show you a document that is going to be Government Exhibit 8.

(A document entitled Facsimile Communication was marked as Government Exhibit No. 8 for identification, as of this date.)

Q It's got a heading of Facsimile Communication and then a subheading of Fund Transfer Instructions that appears to be addressed to Ingo Passoth, Director of Deutsche Postbank?

A Right.

Q And signed by Sam Israel?

A Right.

Q Do you see four entries for transfers on the page?

A Yes.

Q Okay, let's start with the first

Nichols

one --

A So I see here \$1 million stayed in Deutsche Postbank. That's so -- it was transferred in the bank from his account to my account. Sorry about that.

Q The first account or the first transfer of \$1 million to Deutsche Postbank account in the name of Robert B. Nichols; is that accurate? Was there such a transfer on or about this July 13, 2004?

A Is that accurate? I'm going by what it says. It's a bank instruction. I assume it's accurate.

Q Just to be clear, I'm trying to confirm what happened to the \$10 million --

A I know that.

Q Did \$1 million go into an account in your name, Robert B. Nichols, at Deutsche Postbank?

A Yes.

Q On or about July 13, 2004 did \$2 million go into an account at Standard Charter Bank in the name Nichols, Robert Booth, business?

A Yes.

Nichols

Q And on or about that same date did \$3 million go into an account at HSBC Bank PLC in the account named Robert B. Nichols and Ellen M. Nichols?

A Yes.

Q On or about that same date, did \$4 million go into an account at Centrum Bank AG in the account name Sunteleo Establishment, S-U-N-T-E-L-E-O?

A Yes.

Q All of these transfers were from Postbank account in Germany to the best of your understanding?

A They were from Sam Israel's account. It says it right here.

Q When did you first open the Postbank account in your name?

A When I went there with him.

Q Was that in July of 2004?

A I guess, whenever I went there with him. He asked me to go with him; I opened an account.

Q When did you first open an account at Standard Charter Bank in Singapore?

Nichols

A 1977.

THE TRIAL OFFICER: If I could change the tape now. The time is now 5:13. This is the end of Tape 4. We're now off the record.

(Whereupon, at 5:13 o'clock p.m., a recess was taken to 5:24 o'clock p.m.)

(The deposition resumed with all parties present.)

THE VIDEOGRAPHER: The time is now 5:24. This marks the beginning of Tape 5. We're back on the record.

R O B E R T B. N I C H O L S, resumed and testified further as follows:

BY MR. ALBERTS:

Q The Singapore Standard Charter account that you opened up in 1977, what did you use that account for after 1977?

A What did I use the account for? I can't remember. From 1977 you're asking me what I used the account for?

Q Was it a personal account?

A Basically, and some business, you

Nichols

know, would hold funds.

Q Why do you have a bank account in Singapore?

A Because I wanted one.

Q What did you want a bank account in Singapore for?

A Because I go to that region a lot.

Q What do you do in that region?

MR. BAINTON: Give him some examples of things you've done in that region. Give him some examples of things that you've done in that region, I think that's what he's asking.

A Well, I was asked to go into Vietnam in the '90s by a man named Overbeck -- I believe he's with the U.S. government -- and see if I could facilitate getting two U.S. parties onto military bases inside Vietnam so that they could assess what kind of ordinance and other things related to the Vietnam conflict were still there and viable.

I was also asked if I could arrange rice contracts for African nations that would

Nichols

assist, you know, certain areas with regard to relationships with regions that were more difficult and they thought arranging rice contracts for them would soften the way in negotiations between U.S. interests and their countries.

I was asked to meet with the prime minister, deputy prime minister on projects that would develop a duty-free zone there.

Q Prime minister of what?

A Vietnam.

Q Your HSBC account in London, when did you open that?

A About '90 -- I'm guessing, six, seven, something like that.

Q Your Sunteleo Establishment account in Centrum Bank, when did you open that?

A That was only open for a couple of weeks. Someone suggested I open the account and it was opened and closed in a couple of weeks.

Q What is Sunteleo Establishment?

A It was just a Liechtenstein corporation that I thought it would be best to hold the funds, if anything, in that region in an

Nichols

establishment which is a company or an
errichtungsgesellschaft instead of my personal
name.

Q Was this a Liechtenstein
establishment that you controlled?

A Yes, at the time.

Q What did that establishment do?
What was the purpose of the establishment?

A Nothing.

Q Was it just a shell corporation,
then?

A It was just farm. It hadn't had
time to do anything.

Q Did it ever do anything?

A Well, it only was there for a couple
of weeks, I think. It didn't do anything.

Q So did this company ever do anything
other than receive this \$4 million and then
distribute it?

A And then return it, no.

Q And then return it to whom?

A Back to Postbank to my account or
back to Israel's account. It went back to
Israel's account.

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Q Where did it go from Israel's account?

A Back to my account.

Q In what account did it go back to?

A The Postbank account.

Q When you say the Postbank account, are you referring to the first account listed on Exhibit 8?

A Yes.

Q At that point, there were \$5 million that Postbank account?

A Probably something like that.

Q This Sunteleo Establishment, was it registered somewhere as a company?

A It was registered in Liechtenstein.

Q On its registration papers, who is listed as owning it?

A I can't say because sometimes in Liechtenstein they do not fill out the shares until you request it, so I don't know if I ever asked them to fill it out, but it was mine, so --

Q Do you have the papers for registering that company still?

A No.

Nichols

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Q Where are they?

A Probably in Liechtenstein.

Q Are they in your custody in
Liechtenstein?

A No.

Q Are they in your custody anywhere?

A Are they?

Q In your custody anywhere?

A No.

Q After the money was transferred into
the Post -- into your Postbank account, where did
that money go?

A It went to HSBC, I believe.

Q When you say HSBC, are you referring
to the third account that's listed on Government's
Exhibit 8?

A Yes.

Q Where did it go from HSBC?

A Well, I believe some of it, \$2
million, went to Standard Charter, right?

Q At this point, I think you have said
\$8 million has gone to HSBC which would consist of
the \$4 million from Sunteleo, the \$1 million from
Deutsche Postbank and the \$3 million that

Nichols

originally went to HSBC.

Then, in addition, there is the \$2 million that is at Standard Charter Bank. That adds up to \$10 million. Is that all accurate?

A Sounds accurate to me at the moment. I can't be sure.

Q The \$8 million that ultimately went into HSBC Bank, as you have described, where did that \$8 million end up going?

A All over the place. I've tried to reconstruct that with my attorneys.

THE WITNESS: And I think you've delivered boxes of material, haven't you, Martin, on that?

MR. SIMONE: We've got a bunch of documents yesterday traced to the bank and there will be more coming.

Q I am going to show you a document that's marked Government's Exhibit 9. Do you recognize that document?

(A letter dated November 21, 2008 was marked as Government Exhibit No. 9 for identification, as of this date.)

Nichols

Q Have you ever seen this letter before?

A Are you asking me?

Q Yes.

A No.

Q This is a letter dated November 21, 2008. It is addressed to Gary Mennitt and Jonathan Perry at Dechert. It appears to be signed by J. Joseph Bainton. What I want to call your attention to is the end of the first paragraph where it says, "Below is an executive summary tracking the \$10 million at issue in round numbers." And there is then a series of bullet points that lists locations of \$10 million.

Could you just look at that and tell me whether that accurately summarizes where the \$10 million went? And just to be clear, we can go point by point.

MR. BAINTON: I can tell you, it's somewhat inaccurate based upon documents we have collected -- it's close, but it's somewhat inaccurate. We've got better stuff for you part of which we delivered yesterday, but if

Nichols

you would like us to -- if you want to go off the record, Martin, and I can do it for you, you can put the witness out of the room, but we've got more precise answers on November, December, whatever today is, than we had on November 21. We were working very hard to get you the information you've asked for and it's still a work in process. Do whatever you want to do, but I just want to tell you that.

MR. ALBERTS: It's going to be kind of difficult to question the witness without looking at the underlying documents. These are documents you produced to us last night?

MR. BAINTON: I believe it was yesterday morning.

MR. PERRY: Why don't counsel go outside and talk about it.

MR. BAINTON: Sure.

THE VIDEOGRAPHER: The time is 5:35. We're off the record.

Nichols

(Whereupon, at 5:35 o'clock
p.m., a recess was taken to 5:53
o'clock p.m.)

(The deposition resumed with
all parties present.)

THE VIDEOGRAPHER: Time is now
5:53. We're back on the record.

R O B E R T B . N I C H O L S , resumed and
testified further as follows:

BY MR. ALBERTS:

Q The first entry in Government's
Exhibit 9, first bullet point states, "\$1.4
million was disbursed to third parties involved in
obtaining a box." Then it gives a number.

Is that accurate that of the \$10
million \$1.4 million was disbursed to third
parties involved in obtaining the box?

A No.

Q Was any money disbursed to third
parties involved in obtaining the box?

A There were expenses.

Q What did you say?

A There were some expenses.

Q What were the expenses?

Nichols

A The security payments for the security location, things like that, of that nature, nothing significant, nothing big.

Q Was anything disbursed to third parties involved in obtaining the box?

A Not in obtaining the box.

Q So this statement is false?

A It's false to me.

Q Was any money disbursed to third parties involved in obtaining the box?

A Not in obtaining the box.

Q So the correct figure here instead of \$1.4 million disbursed to third parties involved in obtaining the box should be zero dollars disbursed to third parties involved in obtaining the box?

A There were expenses involved in obtaining the box and then there were expenses after the box was accepted, you know, by Mr. Israel. Then there were several hundred thousand dollars, but you said in obtaining the box. No, very little.

I mean, air travel, hotels, things like that. You know, we're not talking 1.4.

Nichols

We're talking \$25,000 or something like that. I'm guessing.

Q Were there any persons who you paid in an attempt to obtain the box?

A I probably paid overhead or things like that for people or something like that in travel, but nothing was paid for the box.

MR. BAINTON: Jeff, could I respectfully suggest that you amend your question to use the project?

MR. ALBERTS: No.

MR. BAINTON: You're tripping over obtaining the box versus expenses to third parties in connection with the project.

THE WITNESS: I've said it a hundred times. The box is worthless -- not the box, its content. We've gone there so many times I -- just stick with the box.

Q Do you understand what I mean by obtaining the box?

A Obtaining means to take the box.

Q You know what box I am talking

Nichols

about?

A I assume you are talking about the one that has the seal on the outside, right?

Q That's the box for which those -- obtaining that box was one of the goals for which you were paid \$10 million, correct?

A I'm going to say this again because I want to be saying it properly to you. Evidently, I am not articulating this very well. The box is a piece of metal. It's what was in the box that was of interest to people. The box is just a piece of metal with a handle.

Q Did you ever open the box?

A No, I did not.

Q Anything that you did to acquire the contents of the box you also did to acquire the box, right?

A So acquiring the box, if you would say the project or the -- but every time you say box in my mind I just think of a piece of metal.

Q Okay. Let's look at that first entry, \$1.4 million, did you expend \$1.4 million to third parties involved in obtaining the box and its contents?

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A No.

Q Did you disburse any money to third parties involved in obtaining the box and its contents?

A I spent money, so disbursed to third parties could be anybody that I spent money on, on getting to and obtaining the box. That could be the airline, I assume the hotel, people's airfare. Is that a correct statement I'm asking you?

Q Were there any persons that you paid in order to obtain the box and its contents?

MR. BAINTON: Objection.

A No.

Q Did you pay any money to Steven Hickock relating to the box?

A Yes. Relating to the box, yes.

Q What did you pay him relating -- what amount of money did you pay him relating to the box?

A Oh, I don't know, couple -- \$20,000, \$10,000, something for assistance in helping do some -- I will just stop there. Assistance.

Q What did you pay him to do?

A To do some checking on his

Nichols

background and history from his -- you know, with his relationships and his relationship, as I believe I mentioned before, was David Smith. And David Smith was how I met Steven-- I mean, he introduced me to David Smith. David Smith briefed me on the box, so it was intelligence that was important to me.

Q When did you pay Hickock this \$20,000?

A It might not have been \$20,000. I said approximately. I'm guessing at the figure, something like that.

Q When did you pay him approximately \$20,000?

A Probably it was not at one time, over a period of time, a little here, some there, \$5,000 here, \$2,000 here, whatever, something like that.

Q Were the payments after you met Sam Israel?

A Oh, after I met Sam Israel? No, they were before I met Sam Israel.

Q Did you ever pay any money to Tansri Teong in connection with the box?

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A Yes, I did.

Q In connection with the box?

A In connection with the box?

Q Yes.

A Yes.

Q How much did you pay him?

A I would be guessing, \$150,000,
something like that.

Q What did you pay him that money for?

A Once I was told by Sam Israel that
the box was correct, then I felt I had obligations
to the people that facilitated me obtaining the
box, and so I gave Teong probably \$150,000 and
maybe \$200,000, something like that.

Q Sorry, what were you paying him for?

A He was a facilitator in helping me
work with the Maiwah family. He flew to
Singapore; he flew to China. He brought in the
military people that produced the box for my
scrutiny, so to speak. He said that he would put
together the heritage documents on their side. He
was the liaison between Taiwan and China because
there's some contingent over these assets. He
helped me obtain the box, so --

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Q He did this before you met Israel,
correct?

A That's correct.

Q Did you pay him before you met
Israel?

A I think I paid him after I met
Israel, maybe -- no, I paid him -- oh, I
definitely paid him after Israel. I didn't pay
him anything until after Israel because I wanted
to hear from Israel that the box -- that he was
satisfied with the box and he and Ellis were
satisfied, so I didn't pay anything until after
that.

Q I thought you had said when you
acquired the box you didn't even know Israel?

A That's absolutely correct.

Q So when you acquired the box, why
didn't pay Tansri Teong then?

A Because I had not moved ahead with
the box into anything. I told Tansri Teong that
if the box moves into a position to where it's
viable, it's going to go somewhere, it's going to
make some money, you know, for your government or
for the parties involved, I will compensate you in

Nichols

some way because you've been very helpful on this, but if it doesn't move ahead, you know, there will be no compensation.

He accepted that and it did not move ahead until I looked at the situation I mentioned earlier with David Smith where they said 20 percent on the settlement amount and so on and so forth, but I was still investigating it. Then, when Israel brought it up, he didn't mention any settlement amount. He just said he'd pay for the box, if it was as represented.

He had the opportunity to look at it. He looked at it. He had all information. He said it was as represented. I had done what I said I would do and that was that.

Q Did Teong physically bring you the box?

A You mean like this?

Q In any way.

A Well, he was accompanied by two parties that were described to me as military officers. They were in plainclothes, but military officers brought the box to me.

Q Where were you when you received the

Nichols

box?

A First time I saw it was in Singapore. Second time it was put in my room in London in the foyer, you know, when you go in before the room.

Q When did you see it in Singapore?

A I don't know, couple of months before, six months before, something like that I saw it there.

Q Was it in 2004?

A I think it was just 2003, right before 2004. I'd have to look at my passport.

Q Do you know if it was before Christmas?

A Do I know definitively if it was before Christmas? No. I would say that it was before, but I'm not positive.

Q Who was present when you saw it?

A I don't remember, some Chinese military people.

Q What led you to -- let me rephrase that.

Why were you there?

A I was there on something concerning

Nichols

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2 Vietnam, I believe. Yeah, a meeting with someone
3 from Vietnam on a -- can't remember specifically,
4 but something concerning Vietnam.

5 Q How did you first hear about the box
6 on this trip to Singapore?

7 A I discussed this with Tansri Teong
8 before in London, in his home in London. He has a
9 home in London, Hong Kong, Shanghai and Singapore
10 he has a residence in -- we discussed it. I had
11 heard about these things since the '80s.

12 Q Other than generally hearing about
13 the box, when did you first hear that it was in a
14 specific location that you would be able to go to
15 and see the box?

16 A It wasn't in a specific location.
17 They brought the box to me. I had to wait there
18 several days for it while they transported it from
19 China.

20 Q When did you first learn they were
21 going to transport the box from China to you?

22 A When they asked me if I would look
23 into it and see if I -- if I could find the right
24 corridor within the United States government to
25 negotiate their settlements, did I want to give it

Nichols

a go or would I give it a go. And I said I will, if I'm under no time constraint. But only wanted it introduced to government and to me, Sam Israel and his cousin -- I mean, the cousin -- what am I talking about? Ellis seemed to me to be, you know, the right altitude, right credential, to deal with him.

Q Was it your understanding that Teong was acting on behalf of the Chinese government?

A Absolutely, yes. I mean, you're asking me what did I believe. I can just say yes, but I'm saying that's what he said and that's what I believed. I had heard that from --

Q Why would the Chinese government, if they want to contact the U.S. government, instead of calling the U.S. government call Robert Nichols?

A I knew we were going here when I met you. I don't know. I don't know.

Q Did it seem strange to you at all --

A No, not at all.

Q -- that --

A Not at all. Not at all. I have dealt with many foreign governments and talked to

Nichols

them. And they could call you.

Q What did you think was the value of the contents of the box?

A My personal opinion? Well, I'm just going on what it said on the face, \$100 million, but I know it's much more because it's gold certificates.

Q It was \$100 million per certificate; is that correct?

A I don't know. I wasn't there to see the box opened. I would have liked to have heard about the chain of custody. I would have liked to have forensic people there when you opened the box. I would like to have had some other people there that are watching, checking, metallurgists, things like this, people that deal in the history of these type of artifacts. I think that that should have taken place, but I was informed by my attorneys that you just pulled the box out of -- you know, out of London, took it to the Federal Reserve, popped it open and they said, oh, it's all false.

So you know there is a little -- the next one will be ordered opened should there be

Nichols

another one in a bank in another country, specialists there from government, forensic people, metallurgists, you know. This thing of just opening up something without our being there or someone representing us to me just didn't seem correct, but that's just my opinion. Do you understand what I'm saying?

Q I'm a little confused. You're saying it was opened in the Federal Reserve and instead it should have been opened with metallurgists?

A I'm saying if it's going to be opened at the Federal Reserve and it's going to be an issue -- which to me it never was, I never said the box was worth \$2 -- if it's something to become an issue, as it obviously has, I think that it should be opened in the presence of counsel and parties from the other side. It's like asking the Federal Reserve, is this a legitimate box or the federal government. And if they say, yes, that means they could owe a trillion dollars or something like that. And if they say, no, they owe nothing. I just think there should have been someone else there present, you know, to give

Nichols

another opinion.

Q Is that because you think the federal government might lie about whether or not they are legitimate financial certificates so they don't have to pay money?

A It's a possibility.

Q Is it your concern about this possibility that leads you to say somebody else should have been there?

A That's correct. I believe that it just would have been right and proper to have someone else there. It's like saying I'm my own eye witness. Wouldn't it be okay to have someone else have a look at it?

Q Other than Tansri Teong, did you pay Michael Cleverly in connection with the box?

A I paid him -- I paid him something concerning the verification of the notes on the -- the etching. Remember we discussed the etching?

Q How about Robert S. Clark, did you pay him in connection with the box?

A I paid him something, yes.

Q What did you pay Robert Clark for?

A I don't recall, several thousand

Nichols

pounds. I don't recall.

Q Was it more than \$50,000?

A I will's say 25 to \$50,000. That's a guess. He's a solicitor.

Q Was that before or after you met Israel?

A Oh, that would have been after Israel because it would have been when Israel had already stated that everything was in order.

Q Wilhelm Teekman, other than what we've already discussed, is there anything that you paid him for in connection with the box?

A I gave him a couple thousand pounds here and there and I think I gave him some money because he had a son that was in an accident and I asked someone to give them -- to help the family out, so I'd have to look into that. Someone just decided to run over his son after our meeting, so I tried to offer assistance financially.

Q Is Wilhelm Teekman a wealthy individual?

A I don't have access to his financial -- you know, his -- I can't even think any more, Price-Waterhouse, you know, I don't know

Nichols

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2 what -- I would say he's a successful person. He
3 dresses nicely. He's clean-cut. He shaves. He
4 drive a decent vehicle, probably. I believe. I
5 didn't see that. I mean -- but I can't say that
6 he's wealthy, he's poor. He just is a successful,
7 you know, proper person, a very decent person.

8 Q Is it your understanding he is a
9 senior official at a Swiss bank?

10 A I don't know where I ever -- I never
11 heard that from anyone.

12 Q Did you ever pay David Bezel in
13 connection with the box?

14 A David Bezel probably received some
15 money, but nothing of any significance.

16 Q Was it more than \$10,000?

17 A Could have been around \$10,000 --
18 well, not in connection with the box, no, no,
19 David Bezel I would say he might have helped or
20 done some checking or something and it would be a
21 few thousand dollars.

22 Q Did you ever pay Bernie O'Neil in
23 connection with the box?

24 A I gave Bernie O'Neil some money to
25 do some research on the box, that's right, to do

Nichols

some background and on currency also.

Q How much did you pay him?

A I have to get that report, that reminds me. I believe he is working with a couple former Treasury agents. I will have to look into that.

MR. ALBERTS: We request that report, to the extent that it hasn't already been requested.

Q Can you obtain the report?

A Which?

Q Can you obtain the report that you just mentioned?

A I don't know.

Q What would you have to do to obtain the report?

A What would you have to do?

Q Yes.

A I don't know, but why would I want the report? I'm curious to see it, but I'm missing something here.

Q What is it a report on?

A I understand it's on currency and I understand it's on things surrounding this

Nichols

particular area we're discussing.

Q Have you ever received the report?

A No. I understand it's available somewhere.

Q What would you have to do to get it?

A I don't know if I could get it. If I were going to attempt to get it, I would probably have a reason to get it.

Q What would you have to do to get it?

A I didn't say I could get it. I said if I were going to attempt to get it, I would probably have to travel to Europe for it.

Q Where in Europe would you have to travel?

A I would imagine East Bonn or, you know, something like that.

Q Couldn't you just call David Bezel and have him fax it to you?

A I don't know.

Q Did you pay him money for a report?

A No. He provided me what I wanted. He gave me the information I wanted at the time. I mean, he is not owing me anything. This is other things. He is not owing me something.

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Q You just know he happens to have a report?

A I would say that there is a report over there. I've heard things to that effect. I wouldn't swear to it.

Q Oh, you don't know if there is any report?

A I don't know there is not a report.

Q John Cook, did you ever pay him in connection with the box?

A John Cook took some money and I don't know if I got it back. He was one of the ones who was involved with Israel. And he also -- I didn't care for John Cook, so I don't know what to say about it. He is involved with ODL. He's kind of a -- I don't know. They described him as the person who does due diligence on clients and all. These people are all -- how much do you know about ODL? You see, you ask the questions. It's hard to have a conversation with you when I can't ask anything. Do you know Marilyn Roosevelt?

Q How much have you paid John Cook?

A See? I don't recall.

Q Do you recall what he did for you

Nichols

when you paid him?

A He looked into some investment opportunities.

Q What investment opportunities?

A To see if there were places -- I believe it was France with a man named Richard something, Richard something in Monaco -- to see if there were opportunities to invest in that had, you know, decent returns, none of this high yield stuff, but decent returns.

Q Looking again at Government Exhibit 9, the second entry refers to \$1.5 million expended to purchase real property located outside of Prescott, Arizona; is that accurate?

A That's correct, I believe, yes.

Q The next entry says, \$1 million was expended to make improvements on the Prescott property which is owned by a trust of which Mr. Nichols is the sole beneficiary; is that accurate?

A I believe so, yes.

Q The next entry says, \$1 million was loaned as a personal loan to a long-term acquaintance which is expected to be repaid within less than 12 months; is that accurate?

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A No, that's not accurate.

Q In what way is it inaccurate?

A It would be repaid the end of 2010.

Q To whom was the loan made?

A Frank Faryab.

Q Who?

A Frank Faryab.

Q Could you spell the last name?

A F-A-R-Y-A-B.

Q When did you loan him -- did you
loan him a million dollars?

A Yes.

Q When did you loan him a million
dollars?

A About two years ago, I guess,
something like that.

Q What are the terms of repayment?

A Just pay me back. He's a friend of
mine, little interest. I forget what the amount
was.

Q Did you sign any agreement?

A I did, but it's in Europe.

Q Where in Europe?

A London.

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Q Where it London?

A I don't know specifically. I'd have to look.

Q When you say you don't know specifically --

A I mean, I don't know specifically. I don't know if it's in my flat. I don't know if it's in a friend's flat. I don't know if it's in a file that I left someplace. I don't know exactly. I don't know specifically.

Q If you were going to try to locate it in London, what would you do?

A I would start looking.

Q Where?

A I'd probably go to my flat. Then I'd probably go to a friend's flat. I'd probably call around and say are you holding any papers for me? I may call Switzerland and ask someone are you holding any papers for me? And things of that nature. I scatter things all over the place.

Q What friends in London would you call?

A Steven Hickock.

Q Who else?

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A Robert Clark.

Q Anyone else?

A See, that's about all the friends I could think of right now.

Q Can you think of anywhere else that your files would be located other than in your flat and in the custody of Steven Hickock and Robert Clark?

A Not at this moment.

MR. BAINTON: Or Robert Clark, or not and.

Q Or Robert Clark?

A You mean all my files, everything?

Q In London, yeah.

A No, I can't think of it now.

Q Have you called Steven Hickock and asked him to get any files for you in connection with this case?

A No, no.

Q Do you have his phone number?

A Yeah, I think I do. I have his phone number.

Q Robert Clark, have you called him in an attempt to get any documents in connection with

Nichols

this case?

A No, I don't believe they have any documents in connection with this case until speaking to you today when you start asking for this and that.

Q Did you know that documents that relate to payments that you made concerning the box were relevant in this case?

A But there was no paperwork on them. I just paid obligations. There was no receipts, so when you say would you look at the documents concerning this, it doesn't work like that in my world. I just say here, there, thank you. There is no paperwork. You act like there is a file, a ledger. There's not.

I took X amount of money, I admit openly, and I paid certain people what I felt was appropriate to accomplish certain objectives. That's the way my life is. It's not as perfect as it should be. It's not tailored and neat.

Q You said that the loan agreement you would look for it in London if you were trying to find it. Did you know that a loan agreement concerning money that you received from Sam Israel

Nichols

was relevant to this case before today?

A Yes, I did and I had -- I had Frank Faryab sent an e-mail or fax stating that he owed me a million dollars just to substantiate the obligation.

Q Did you have anyone go to your London flat to see if the agreement was there?

A I know the agreement is -- I say the agreement could be there, but I don't believe it is, but I would be able to have someone go to the flat and look immediately, but I just don't believe it's there. I believe it's probably in a file with Hickock or someone that I just left it with. I will look into it.

I'm stammering, I realize, but I didn't realize that it was so important for you to hunt down something when the person who I lent the money to acknowledges the debt and says they will repay it, so I didn't realize it was that important.

Q Have you had anyone go to your London flat and check for any documents that relate to this case?

A They can't get in it. It would be

Nichols

very difficult to do that.

Q Do you have a key?

A I have a key, but it's a security building. It's next to the U.S. Embassy and I would have to get -- there would have to be some protocol for me to have someone go in and go through papers there.

Q What protocol?

A I would have to have probably Martin or someone go there and with a letter and go through it. It would not just be I could call someone and have someone unknown go into the place because there are security requirements in the building, but we could do that, if you like.

Q You're saying you have a building where you can't just call up --

A I'm saying I have an apartment that I don't have access to because I was asked not to return to it until this matter was cleared up over here.

Q Your apartment building wouldn't let somebody in if you called up and said somebody is going to be coming to my flat with this name and I gave them a key?

Nichols

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2 A I don't think so. They would want
3 to know that -- they would want additional
4 documents signed. I couldn't just call and say, I
5 gave someone a key. They would want me to send
6 something that authorized them and, of course,
7 they would let them in at that time.

8 Q If you faxed over or mailed by FedEx
9 a letter authorizing somebody else to go in, they
10 would let them in?

11 A I would say it would be best to have
12 someone like Martin or an attorney from here to go
13 to that flat that they know.

14 Q Could you first answer that
15 question?

16 A I don't want somebody in the flat
17 that I don't know.

18 Q I understand, but were you to send a
19 FedEx letter authorizing them to let somebody in
20 your flat would they let somebody in?

21 A I don't know the answer. They may
22 not.

23 Q Do you have any reason to think they
24 wouldn't?

25 A Well, there are a lot of diplomats

Nichols

in the building. I said it's across the street from the U.S. Embassy. It's a high security area. They have all kinds of rules about just having people that come and go in the building.

I could do it tomorrow, if you'd like me to. Do you want someone to go in my flat and go routing through the drawers, I would be happy to do it for you.

Q That would be great.

A Okay. What are we looking for now? The \$1 million --

Q Your attorney will go over the documents --

A Pardon me?

Q Your attorney can go over the document requests that have been served in this case.

A All right.

Q When did you loan the money to Frank Faryab?

A I don't recall. It's probably about two years ago.

Q Do you know when it was? How do you know Frank Faryab?

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A I have known him since the '70s.

Q What does he do?

A He's a businessman, real estate.

Q I'd like to call your attention to Government Exhibit 9. The third bullet entry from the bottom states, \$1 million was lost by investing in a project to purchase and then resell gold bullion; is that accurate?

A No, that is incorrect.

Q In what way is it incorrect?

A I was involved in a project, but nothing like that was lost in the project. I've got to go over this and see.

THE WITNESS: Did you look at the addition or the math here?

Q I'd ask you to not consult your counsel while a question is pending.

A Oh, okay.

Q Just to be best of your recollection will be fine.

Do you remember how much you lost?

A Maybe, I don't know, couple hundred thousand dollars. I don't know.

Q Do you know when you lost it?

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A I think 2006.

Q To whom or where was the investment made?

A It was involved with people that were putting together transportation for bullion out of a certain area of South Asia to the Swiss -- to a Swiss refinery. And a lot of expenses were paid up front to arrange the insurance and the aircraft and all of which I don't have the details. And something took place that delayed the project for 12, 24, 36 months. So I let it go at that because I want to do the projects after this business is finished, so that's it.

Q Where in South Asia was the bullion going to be transported from?

A Kuala Lumpur.

Q Where was the bullion going to come from that was going to be shipped out of Kuala Lumpur?

A It's already in Kuala Lumpur.

Q Where did it come from?

A I don't know its origin.

Q Where was it going to go in

Nichols

Switzerland?

A A refinery in Lugano.

Q A refinery where?

A Lugano.

Q How do you spell that?

A L-U-G-U-N-O.

Q What were the names of the people that were running this project?

A I forget the names.

Q Was there a company?

A The refinery in Lugano, I forget the name of it.

Q The people whose names you forget, they were employed by a refinery in Lugano; is that right?

A The principals, I forget their names. I didn't want to know their names. I just knew their representative and I forgot his name because I didn't want to know it.

Q Do you know the names of any individuals or entities who were in any way involved with this project?

A Not right now. I know that the principal was the head of the refinery in Lugano,

Nichols

Switzerland.

Q I'm showing you a document that's going to be Government Exhibit 10.

A Am I supposed to read it?

MR. BAINTON: Yeah.

(An e-mail was marked as Government Exhibit No. 10 for identification, as of this date.)

Q At the -- this is an e-mail. The top e-mail is addressed from RBN@aloha.net to Dan Marino. Do you recognize the e-mail, RBN@aloha.net?

A Yes.

Q I'd like to call your attention to the second e-mail down. It's inset a little bit from the top one. It starts with Hello, Ellen?

A Right.

Q It's from a Dmarino@bayougroup.com. Do you recognize that e-mail address?

A No, but, I mean, I assume it's Dan Marino.

Q In that first paragraph of that e-mail, it says, "In addition my understanding is that some monies will be coming back on Tuesday.

Nichols

If so can the funds be wired to the following account," and then it lists an account for credit to Bayou Management, LLC, special account, 40 Signal Road, Stamford Connecticut 069802.

Why would Dan Marino be e-mailing your e-mail address with this information?

A I'm going to tell you in a second.

Q Just to be clear, there is no question pending. I just want to give you a chance to look at it.

A I'm trying to see where it says the funds will be -- you mean up here? Oh, I see.

Q It asks that the monies be wired back to a Citibank account in the name Bayou Management, LLC-special account, right?

A Yes.

Q Why would Dan Marino be writing to your e-mail address to from a Bayou Group.com --

A Sam Israel before he had \$125,000 from me and he asked me if I could pay it back to that account, which I did. I mean, I lent him \$125,000.

Q Why would you be paying money that you owe him to Bayou Management?

Nichols

A I didn't owe it to him. I lent it to him. This is a loan to him. I lent him the money.

Q So why would Dan Marino be e-mailing you --

A I don't know about the return because I am looking at this April 16, 2004 and Carolyn Sherry in the office in addition might have sent some monies will be coming back on Tuesday, if so can the funds be wired to the following account, and he asked me if he could borrow \$125,000 for his personal thing with his wife or something. And Carolyn -- is that the one that was -- oh, I don't know, the girl that sat downstairs there that took care of all his stuff, you know. And I sent him the money. That was it. So you'd have to look at the incoming thing from me to him on that day --

MR. BAINTON: Bob, look at the date.

MR. SIMONE: Bob, look at the date.

MR. BAINTON: Look at the date.

Nichols

THE WITNESS: Look at the
date? It says April 16, 2004.

MR. SIMONE: Right.

MR. BAINTON: When did you
first meet Israel?

THE WITNESS: I met him --
this doesn't make any sense. This
could be -- I am trying to reach --

MR. BAINTON: Did you ever
refund any part of the fee from Debit
Direct when they didn't want the card?

THE WITNESS: No, this doesn't
have -- this has to do with something
between Israel and Hickock and that
and he's asking us about it because
there is nothing. There is nothing.

BY MR. ALBERTS:

Q I am going to give you another
document that might help you understand what's
going on. This is going to be Government's
Exhibit 11.

(An e-mail was marked as
Government Exhibit No. 11 for
identification, as of this date.)

Nichols

THE WITNESS: Do you
understand what I mean?

MR. BAINTON: This is why you
shouldn't be taking a deposition at
7:00 o'clock at night.

Q This is from Trish. It is an e-mail
from Tricia -- Trish O'Dwyer to RBN@aloha.net. Do
you remember getting this e-mail?

A No, I don't.

Q Do you know why Trish would be
writing Robert/Sam per Dan Marino's instructions,
"Please find attached the documents for your
review"?

A I don't know anything about that. I
don't understand this or know anything about it.

Q Could you turn to the second page --

A I'm looking at the second page.

Q This is a document. It's on "Bayou"
header, correct?

A It says Bayou header, right.

Q Do you see on the second page, the
third full paragraph, the last line is, HCAF has
appointed Mr. Robert Nichols as special projects
coordinator?

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A Right.

Q Were you appointed by HCAF as special projects coordinator?

A Not to my knowledge.

Q Okay. There is a line here that says, confirmed Mr. Robert Nichols, down at the bottom?

A Yep.

Q Did you ever sign a document like that?

A I may have. I don't know. I would have helped Steven or done what was necessary here.

Q Why would you be getting all of these documents before you even met Sam Israel?

A Why would I be getting the documents before -- I don't know.

Q This e-mail is dated April 12, 2004. Had you met Mr. Israel at the time?

A I'm saying I don't know unless -- I don't know. I can't explain.

MR. BAINTON: I would like to object to the form of the question.

A I mean, I don't know why I would get

Nichols

them to me before I met him because --

MR. SIMONE: Bob, do you know
when you met him?

MR. ALBERTS: Hold on.

Q Just to make a clear record, did you
know Sam Israel on April 12, 2004?

A When did I meet him?

Q I'm asking you whether you had met
him as of April 12, 2004?

A I don't know. I'm kind ever groggy
here.

Q Did you know anyone at Bayou as of
April 12, 2004?

A I would have had to have known him
for this paperwork. I mean, I would have had to
met him before this date.

MR. BAINTON: Would you mind
if he looked at an earlier exhibit to
help refresh his memory?

A You're asking me did I know him
before April 12. Maybe I knew him April 11.

MR. ALBERTS: If there is an
exhibit that you think you could show
him --

Nichols

MR. BAINTON: Yeah, let me see if this helps. Okay, Exhibit Number 2, Government 2, says there was a wire transfer to you relating to Debit Direct consultancy agreement on April 5, 2004. Does that help you fix the date?

THE WITNESS: But that's to have me go and meet him, but --

MR. BAINTON: Do you know when you met him?

THE WITNESS: Not him. Dan Marino, he happened to be there, so I would say I met him. I don't know. It's got to be on a paper here or something.

MR. BAINTON: Do you have the copy of his passport that we produced?

MR. ALBERTS: I do.

Q Here. This is Government's Exhibit 12.

(A document was marked as Government Exhibit No. 12 for identification, as of this date.)

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A I mean, I know I met him in April.

Q Do you recognize that document?

MR. BAINTON: Could I see it?

A April 13, yeah, this has to do with him going into the thing with Steven Hickock, the humanitarian thing. This is from Ellen, my wife, to Dan Marino on accounts numbers or whatever he wanted.

Q What is the bank name that's listed there?

A Pardon me?

Q What is the bank name that's listed there?

A Barclay's Bank.

Q Right above that it says, "Pursuant to our conversation here are the new account details," right?

A Yeah.

Q And does it appear that Ellen is sending new account details to Dan Marino?

A Yeah, for Steven because Steven would have asked her -- Hickock -- send him the details for Barclay's Bank for his transfer and that's what it is. And then it says Human

Nichols

Coalition Aid Foundation.

Q Why would Ellen be sending that request to Dan Marino?

A I didn't know it was a request. It's just information.

Q Why would she be sending that information to Dan Marino; if you know?

A Because he would have requested what account does Sam Israel's funds go in for the coalition thing with Steven Hickock.

Q It wouldn't be Bayou funds?

A It wouldn't be Bayou funds? I mean, I don't know if they're Bayou funds or Sam Israel funds, but what it's saying is here is the account for Sam Israel will authorize signature, Sam Israel, III. Here's the account detail for this Human Coalition Foundation limited account, period.

Q Okay. On Government's Exhibit 11 that I just showed the Humanitarian Coalition documents are on Bayou letterhead, correct?

A If you say so.

Q Do you see the word Bayou at the top of the page with number Nichols - U.S. A003034?

Nichols

MR. BAINTON: Objection.

A Where are my papers? Are they there somewhere?

Q Government Exhibit 11, second page, do you see Bayou, the word Bayou at the top?

MR. BAINTON: Objection.

MR. ALBERTS: What is the objection?

MR. BAINTON: I think the document kind of speaks for itself. It says Bayou in the top right-hand corner, identifies Mr. Israel as the benefactor. The document says what it says and I think we have established that the witness can read and it's late.

MR. ALBERTS: It's just a foundational question.

Q Do you see the word Bayou at the top?

A I see Bayou at the top right corner with a little stork next to it.

Q Did you understand that Bayou was involved in this Humanitarian Coalition Aid

Nichols

Foundation agreement?

A You say connected to. I don't understand the words you use. Bayou was connected to -- you mean involved with?

Q Sure, involved with.

A Yeah, but connected to and involved with are two different words, you know, or --

Q Let me rephrase the question, then.

Do you understand -- did you understand at the time that Bayou was involved with this Humanitarian Coalition Aid Foundation project?

A They became involved for a period of time. I am aware of that.

Q In what way were they involved?

A Samuel Israel was going to enter a trade program with the coalition foundation to benefit himself and produce money for the foundation's objectives.

Q How is Bayou involved?

A Well, I don't know Bayou. Sam Israel was involved, but I see your little stork and logo thing up here, so I will say they are involved. What do you want me to say to you? You

Nichols

know it says Sam Israel, III, benefactor. That means to me -- it doesn't say Bayou benefactor.

MR. BAINTON: Turn to page 040.

THE WITNESS: Do you see my point here?

MR. BAINTON: Keep reading. We're going to stop this pretty soon because it's getting a little late.

THE WITNESS: No, I mean, he says Bayou, but I mean it says benefactor, Samuel Israel, so just because it has a stork on the top of the page, I don't understand what he's trying to say here.

A It's like I will make my own game. Okay, Citibank, whatever, account name, Samuel Israel, III. Oh, I guess that means -- this is Bayou. Look at this. This is Samuel Israel, III. This is all in, but it's Bayou because it's got a bird up here, right?

Q Was it significant that the document be on Bayou letterhead?

MR. BAINTON: Objection.

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A I don't go if its on -- I go by the word, I, me, who is the benefactor. These things say, I, me, my account, my consultant, my -- he doesn't say Bayou or my company or we.

Q Did you understand that it was of any importance at the time that these documents be on Bayou letterhead?

A Absolutely not. What letterhead -- what would it have to do with me in any way what letterhead this had to be on?

Q Wasn't it important to you whether or not it was Israel's money or Bayou's money?

A You are speaking here of the thing with Hickock?

Q Yes.

A That would make no difference to me whatsoever. I'm paid by Hickock or the Human Coalition Aid Foundation. I am not paid by Bayou or Israel on this.

Q You weren't going to get a commission?

A I was going to get it from Hickock. You have a copy of the Stewardship agreement. It would be paid by the HCAF group.

Nichols

Q It wouldn't come out of the funds that were transferred over into Postbank?

A It would not come out of any funds whatsoever except the profits -- on this business except the profits made by Sam Israel, a portion of the profits of Sam Israel, a portion of his profits. It doesn't say Bayou profits. It says his profits and the same thing it says on ODL, a portion of his profit, not Bayou profits.

Q I am going to show you a document that's marked Government Exhibit 13.

MR. BAINTON: What time is it?

A So big I don't even need glasses. They'll use my poor wife's name and go torture her now.

(A document was marked as Government Exhibit No. 13 for identification, as of this date.)

Q On the second paragraph, it says, "Please note that both documents need to be signed with the company seal affixed on a colored seal so that the seal will be easy to read when the documents were scanned. Also the board resolution needs to be notarized."

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A Right.

Q Do you know why an e-mail was being sent from your e-mail address to Dan Marino with this?

A Yes, absolutely.

Q Okay. Why?

A Because Sam Israel and Steven Hickock asked my wife to do this, do that, send this, this is what we need, explain it. And my wife, trying to accommodate, you know, did these things to Dan, so that's the answer to your question. She wouldn't know anything about this, that, anything. They say we need this, we need that, my wife would type it up and send it or whatever.

Q Is it surprising to you that they are asking that the documents be notarized by Bayou's board given it's just Sam Israel's personal -- he is personally involved?

A I thought this was involving Steven Hickock.

Q Did you think that Steve Hickock was dealing with Bayou?

A I didn't think one way or the other

Nichols

1 with Steven Hickock and Bayou. I did not think
2 he's dealing with Sam Israel or he is dealing with
3 Bayou. I did not think about it. I was being
4 paid by Steven Hickock. It didn't matter who he
5 was dealing with. When he dealt with me, he said
6 they were his funds. That's a totally different
7 story. That was in Postbank. Nothing to do with
8 this. I don't care. Didn't know who, Bayou,
9 Steven Hickock. It made no difference to me.

11 Q Were you advising Sam Israel with
12 respect to this deal?

13 A No. Just comments. When I say no,
14 I mean what would you do, what do you think,
15 whatever, you know. He said to me repeatedly, I
16 am the expert, I am one of the ten top traders in
17 the world, you know, like, this is my business.

18 MR. BAINTON: Excuse me. It's
19 seven o'clock at night.

20 A I mean, how could I know how to
21 advise one of what I thought wealthiest, most
22 successful men in New York that should have been
23 apprehended, obviously, by law enforcement and FBI
24 agents and Attorney Generals years ago. How would
25 I know how to advise this man who was one of the

Nichols

biggest, best and most successful? That's what the papers said. That's what everything said.

I met his mother. She is a Rothschild. His family is an Aron Family, founders of Goldman Sachs. I met his grandmother. I mean, you know, famous name, Israel, one of the top traders. And you are asking me didn't you know, didn't you know about someone who sits and lives in your turf back here that evidently operated right here from '96 on.

MR. BAINTON: In any event, we're done for the day. Do you think you're going to be all day with Sauls tomorrow because Bob could come back tomorrow afternoon, but I am not going to go beyond 7:00 o'clock at night. I am not feeling particularly well.

THE WITNESS: I'd rather finish with him tonight. Can't we just stay -- I mean, no disrespect --

MR. ALBERTS: I know I don't have more than 20 minutes at most.

THE WITNESS: Then let's just do it.

1 Nichols

2 MR. ALBERTS: Okay.

3 THE VIDEOGRAPHER: You have
4 ten minutes of tape.

5 MR. ALBERTS: That might
6 actually be enough. Let's go off the
7 record.

8 THE VIDEOGRAPHER: It is 6:55.
9 This marks the end of Tape 5. We're
10 off the record.

11 (Whereupon, at 6:55 o'clock
12 p.m., a recess was taken to 6:59
13 o'clock p.m.)

14 (The deposition resumed with
15 all parties present.)

16 THE VIDEOGRAPHER: The time is
17 now 6:59. We're back on the record.
18 This marks the beginning of Tape 6.

19 R O B E R T B. N I C H O L S, resumed and
20 testified further as follows:

21 MR. ALBERTS: So the
22 government has no further questions at
23 this time.

24 MR. PERRY: Bayou Management
25 has no questions. I will state for

Nichols

the record that we understand from the Nicholises' counsel that there may be additional documents being produced and so we reserve the right to continue the deposition once we review those documents.

MR. BAINTON: That's more than fair.

MR. ALBERTS: Just to be clear, the government also --

MR. BAINTON: More than fair, more than fair.

MR. ALBERTS: To continue once we have the documents.

MR. BAINTON: Okay. Thank you so much for your hospitality.

THE VIDEOGRAPHER: The time is now 7:00 o'clock. This marks the end of Tape 6.

(Whereupon, at 7:00 o'clock p.m., the deposition was concluded.)

C A P T I O N

The Deposition of ROBERT B. NICHOLS, taken in the matter, on the date, and at the time and place set out on the title page hereof.

It was requested that the deposition be taken by the reporter and that same be reduced to typewritten form.

The Deponent will read and sign the transcript of said deposition.

C E R T I F I C A T E

STATE OF _____:

COUNTY/CITY OF _____:

Before me, this day, personally appeared
ROBERT B. NICHOLS, who, being duly sworn, states
that the foregoing transcript of his/her
Deposition, taken in the matter, on the date, and
at the time and place set out on the title page
hereof, constitutes a true and accurate transcript
of said deposition.

ROBERT B. NICHOLS

SUBSCRIBED and SWORN to before me this _____
day of _____, 2008, in the
jurisdiction aforesaid.

My Commission Expires

Notary Public

DEPOSITION ERRATA SHEET

RE:
FILE NO.

CASE CAPTION: USA vs. Samuel Israel, III, etc.

DEPONENT: Robert B. Nichols
DEPOSITION DATE: December 16, 2008

To the Reporter:

I have read the entire transcript of my Deposition taken in the captioned matter or the same has been read to me. I request for the following changes be entered upon the record for the reasons indicated.

I have signed my name to the Errata Sheet and the appropriate Certificate and authorize you to attach both to the original transcript.

SIGNATURE: _____ DATE: _____

Robert B. Nichols

Witness: Direct

Robert B. Nichols 4

EXHIBITS

Government For Ident.	Description	Page
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1	A document dated July 8, 2004	87
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2	A document entitled IMG, LLC	90
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3	A document entitled Paid Productions, LLC	92
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4	A two-page document entitled COBRA Employee Information Letter and COBRA Letter to Terminating Employee	94
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5	A two-page document entitled COBRA Employee Information Letter and COBRA Letter to Terminating Employee	96
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6	A document entitled Verified Petition	101
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7	A multi-page document	161
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8	A document entitled Facsimile Communication	232
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9	A letter dated November 21, 2008	242
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10	An e-mail	276
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11	An e-mail	280
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12	A document	284
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13	A document	290
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REQUESTS FOR PRODUCTION

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FINK & CARNEY
REPORTING AND VIDEO SERVICES

39 West 37th Street, 6th Floor, New York, N.Y. 10018 (212) 869-1500

C E R T I F I C A T E

STATE OF NEW YORK)

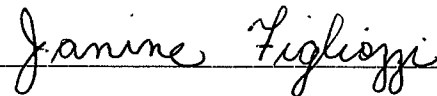
) ss.

COUNTY OF NEW YORK)

I, JANINE FIGLIOZZI, a
Shorthand (Stenotype) Reporter and
Notary Public of the State of New
York, do hereby certify that the
foregoing Deposition, of the witness,
ROBERT B. NICHOLS, taken at the time
and place aforesaid, is a true and
correct transcription of my shorthand
notes.

I further certify that I am
neither counsel for nor related to any
party to said action, nor in any wise
interested in the result or outcome
thereof.

IN WITNESS WHEREOF, I have
hereunto set my hand this 22nd day of
December, 2008.

A handwritten signature in cursive script, reading "Janine Figliozi", is written over a horizontal line.

JANINE FIGLIOZZI